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C. G. Wyckoff, President and Treasurer; E. A. Krauss, Managing Editor; Eugene J. Foley, Vice President; Arthur G. Gaines, Secretary; August A. Small, Magazine Production Manager. The information herein is obtained fom reliable sources and while not guaranteed we believe it to be accurate. Single copies on newsstands in U. S. 50 cents, Canada, 55 cents. Place a standing order with your newsdealer and he will secure copies regularly. Entered as second-class matter January 30, 1915, at P. O. New York, Act of March 3, 1879. Published every other Saturday.

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WITH THE EDITORS

Reviving an Old Feature

WITH this issue, the Magazine of Wall Street is reviving one of its well-known features of the Twenties, the Building Your Future Income department. Old readers may perhaps remember its usefulness, the sound advice and expert guidance it carried for both the budding investor and those more advanced in their program of capital building. New and old readers will find the resumption of this feature not only useful and interesting but will welcome its broad scope that goes far beyond the narrower field of securities investment.

Reintroduction of this valuable department has been made possible by the easier paper supply. This happy situation will enable us in the future to do many things that we have always wanted to do, and as we go along, to make further additions and improvements so as to serve our readers better and more fully. Our constant thought is to make the Magazine of Wall Street an ever more useful medium for the investment-minded public.

In this issue, on page 151, the young investor will find sound advice on such matters as saving and insurance as initial steps toward capital building. The returned serviceman, particularly, will welcome the clarifying comments of Mr. Muller, our insurance expert, on what to do with his Government insurance. On being discharged, many servicemen, we know, are at a loss what to do, whether to let their insurance lapse or whether to retain and convert it into a civilian policy. Mr. Muller's column should help them to make up their minds.

Much is said and written these days about the enormous boom in residential building, believed just around the corner. Thousands of families look forward to the fulfillment of one of their most cherished hopes and dreams—a home of their own. But experience has shown that when it comes to home building, many problems arise and there are many pitfalls to guard against. Our real estate expert, on page 152, is tackling the subject realistically and would-be home builders will find his column not only informative but practical. Turning to page 153, those whose ambition it is to start a business of their own will find a thought-provoking treatise on the subject; it is worth reading and worth pondering over.

As in the past, we shall be glad to answer personal inquiries on any subject dealt with in the new department. Just drop us a line; our experts will welcome an opportunity to be of service to you.

Elsewhere, too, you will find this issue of the Magazine replete with features of interest and benefit to every investor. Mr. Miller's article on page 120 presents his views of the market pattern ahead, a practical discourse of the forces at work today and over the nearer term, and what to do about it. The stock market these days is keenly eyeing the industrial scene, shot through with reconversion cross currents and pressing labor problems. Cutting through a maze of detail and a tangle of conflicting reports, Mr. Krauss on page 122 realistically discusses and analyzes the progress of reconversion, and the problems still to be hurdled before production can get into full year. Those who wonder about postwar profit margins in industry — and who doesn't—will want to read upon the vital matter of selling costs as a factor in business. On page 125, Richard Colston acquaints you with current and prospective trends and the varying significance of such costs among representative industries.

A few pages further on, you will find a searching discussion of the position of the bank stocks. It's a timely topic. The banks have been doing well and there may be some dividend melons. Some have already been cut. Ward Gates on page 137 tells you what third quarter corporate earnings reports reveal. With industry in the midst of reconversion these reports are extraordinarily interesting, disclosing transitional impacts on company earnings and furnishing valuable clues to full year results.

☆☆☆☆☆☆☆ IN THE NEXT ISSUE ☆☆☆☆☆☆☆

Special Survey of Longer Range Market Factors
By A. T. Miller

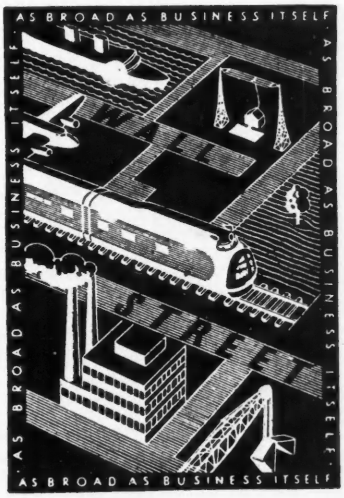
Can Inflation Be Controlled Today?
By E. A. Krauss

How to Minimize This Year's Taxes Through Judicious Securities Adjustments
By Henry L. Blackburn

Today . . . various sections of industry are on the threshold of full civilian production.

THE MAGAZINE OF WALL STREET

C. G. WYCKOFF, *Publisher* E. A. KRAUSS, *Managing Editor*



The Trend of Events

LET'S FINISH THE JOB . . . During the next weeks, the Treasury Department will be selling its Victory Loan through which it seeks to complete its war financing by raising $11 billions. Individuals are expected to subscribe $4 billions as against their $7 billion quota in the Seventh War Loan Drive.

It is urgently necessary that the Victory Loan be just as successful as the preceding War Loans, despite the psychological let-down which inevitably follows the end of fighting. There are many strong arguments, for a big job still remains to be done. It costs money to maintain our military forces abroad, and to get home the many thousands to be discharged. It costs money to provide adequate facilities for veterans who need medical care, and opportunities for education and professional help for those ready to reenter civilian life. There are heavy commitments in feeding the hungry in wartorn countries abroad, and there are even heavier commitments ahead in restoring a sound world economy. In short, it will cost money to win the peace just as it cost money to win the war. The former is no less important than the latter. So let's finish the job!

WAGE-PRICE POLICY . . . Conscious that uncertainty about wages and prices is delaying reconversion and prompt revival of civilian production, President Truman last week in a nationwide radio broadcast set for the Administration's views on the subject, outlining a general policy for the reconversion period. It was to be expected that whatever he would say, he wouldn't please everybody, and so it turned out.

Essentially, the President's policy statement points the way back to collective bargaining, and this is a most constructive attitude. He refused to be stampeded into proposing any fixed formula for raising wage rates during the transitional period. This was interpreted two ways. Labor jubilantly welcomed it as a veiled invitation to try to get all that the traffic would bear, despite the President's clear admonition that labor demands must be reasonable and that it must not "kill the goose that lays the golden eggs;" that it must not demand more than industry can afford to pay and must assume responsibility for jurisdictional disputes and wildcat strikes. Industry, on the other hand, felt that the lack of clarity leaves the whole issue hanging pretty much where it was before, with the threat of "bigger and better strikes" unremoved.

It is true that the chief executive produced no magic formula to solve the problem but his words must have appealed strongly to the best elements in both labor and management. He attempted to treat sympathetically the problems of all groups, at the same time reminding them of their mutual dependence on each other's welfare. Above all he has refused further to govern our economy by Government fiat. This alone is an encouraging sign. In the final analysis, he has placed responsibility for orderly industrial relations where it belongs—squarely upon the shoulders of labor and management. What the situation calls for is the proper spirit of "give and take" born from realization that both have a common goal. If this spirit prevails, it should be

possible to compose existing differences for the good of all.

However, an apparent contradiction remains. The President has declared that wage increases are imperative but that immediate compensatory price increases would be inflationary, thus he calls for a "spirit of reasonableness" in negotiating new wage rates within the existing price structure. It is here where the chief problem, and a certain amount of contradiction arises. He is giving specific encouragement to certain wage increases and is willing to allow these even if they result in wage increases, thus a certain amount of inflationary pressure is bound to ensue. There will be some relaxation of price controls where wage boosts of this kind are authorized, but industry apparently is to wait for some test period, generally about six months, before it can get price relief. The idea is, of course, that six months from now, production volume will have reached such high levels as to obviate in the majority of cases any need for price advances. The unanswered question is what will happen to an industry in the meantime and, more specifically, will the interim experience discourage or prevent for that period the maximum production of essential goods? In other words, will it act as a further drag on production?

Whatever the answer, it is fairly clear that industry for the next six months may be in for a price squeeze of varying impact, depending on individual ability to absorb whatever wage boosts are granted, provided that collective bargaining does not break down again. In the latter case, further unsettling strikes are a strong possibility. Let's hope they can be averted.

THE TAX BILL . . . By the time we go to press, the compromise tax bill granting $5,920 million tax relief in 1946 to individuals and corporations will have become law. Corporations will enjoy reduced tax liability of $3,136 million and individuals will benefit to the extent of $2,644 million, plus the major part of some $140 million saved by repeal of the use tax on motor vehicles.

Specifically, main benefits accruing to corporations include: (1) repeal of the excess profits tax as of January 1, 1946. (2) Retention of two-year carry-backs of unused excess profits credits until December 31, 1946. (3) Surtax for corporations with net incomes of over $50,000 is reduced to 14% from the present rate of 16%. (4) For corporations with net incomes of under $25,000, the surtax is reduced from 10% to 6%. (5) Capital stock tax is repealed with respect to years ending after June 30, 1945.

Individuals are relieved to the following extent: (1) About twelve million low-bracket tax payers will be taken off the tax rolls in 1946, due to changes in personal exemptions. (2) Each surtax bracket is reduced by three percentage points from present rates. (3) Overall limitation on personal tax liability is reduced to 85½% of income from present ceiling of 90%. (4) The 3% normal tax is reduced by 5%, after tax computation on income after the new exemptions.

On the whole, we believe this is a good tax bill, despite congressional departure from the pattern set by the Treasury Department. Some of our more excitable contemporaries profess to be deeply worried over this "Millionaires' Tax Cut Bill", contending it favors unduly corporations and rich taxpayers and neglects the average individual. We cannot see it quite that way.

As previously pointed out in this column, the bill admittedly is a revenue measure designed to encourage business expansion, risk taking and the creation of jobs. To our mind, stimulating business is just as important as individual tax relief, probably even more so at this particular juncture, for without jobs there can be no tax revenue. We strongly suspect that even the worker, for whom so many hearts seem to be bleeding these days, prefers to pay taxes rather than to be relieved of any tax liability by enforced idleness for lack of a job.

Without question, the tax bill will prove a definite aid to business enterprise, that is, it will do exactly what it is supposed to do. If at the same time it has been found impossible or untimely to give greater relief to the individual taxpayer, one must bear in mind (1) that the tax bill is an interim measure pending formulation of a longer range, tax policy Government outlays and financial commitments are quite heavy, therefore revenue needs are heavy. To anyone who views the situation soberly and without prejudice, it must be clear that there is no sense in stifling business to do the popular thing. True the tax bill is weighted in favor of business but justly so under the present circumstances. Individual tax relief, too, is needed and it will come in due time, especially if the taxpayer who is also a voter realizes that his hope of a lighter tax burden depends largely on the future trend of Government outlays. Expenditures are the key to tax reduction. This should be understood especially by those who constantly clamor for heavy Government spending and at the same time bemoan the fate of the poor taxpayer.

LIQUIDATION OF AN "EMPIRE" . . . Recent publication of the final report of the Irving Trust Company as receiver and trustee in bankruptcy for the International Match Corporation marks the liquidation of Ivar Kreuger's fraudulent "empire" erected in the Twenties' on a foundation of forgeries, thefts and swindles the like of which is hardly found in the financial history of any country. The report compressed within 171 pages the record of one of the most dramatic and complex receiverships lasting thirteen and a half years.

Here are the net results: Kreuger had swindled the public of some $560 million, of which $250 million came from the United States. In hunting down "assets", Irving Trust found that many proved worthless. There was only $9,881 cash on hand. Also on hand, from creditors all over the world, were some 24,000 claims totalling $1,168,000,000. Only claims on debentures bought by American investors were allowed and these were finally weeded down to $98,000,000. Total realization from assets were some $37 million, converted into cash over the years. With this, the receiver paid off creditors at 32 cents on the dollar. Thus ended one of the wildest and most unscrupulous ventures that ever made headlines.

As I See It!

BY ROBERT GUISE

A MAJOR BLUNDER

EVIDENCE is multiplying rapidly that Russian diplomacy is losing out fast in Europe where Soviet prestige has declined abruptly along with the morale and discipline of the Red Army. Without question, Russia has been committing a major blunder. By overbidding her hand, she has been undermining her position, vis-a-vis her allies. By a regime of force and terror in occupied territories, she is bringing down on herself not only the hatred of European populations but she has lost, perhaps permanently, any chance of setting up around her borders the chain of friendly nations that she considered a requisite for Soviet security.

As a natural consequence of Soviet policy and Soviet deeds, we now discern a rising wave of hostility against Russia almost everywhere, and in Europe particularly a swelling chorus of protest. After a few months of occupation, the "bear that walks like a man" has few friends left wherever he has trod.

Communism Loses Ground

Since the Red Army has entered Eastern Europe, Communism has rapidly lost ground amid a wave of severe disillusionment. In Bulgaria and Rumania, it is being challenged. In Yugoslavia it has had to make concessions. In Czechoslovakia it is predicted that its weakness will be demonstrated as soon as general elections can be held. In Austria, reaction is little short of revulsion; the same holds true of Eastern Germany and even of Poland where the Communist-sponsored regime can hold itself in power only by sheer terror. Fact is that the Communists have not been adroit in attracting popular support although they enjoyed formidable initial support in many countries. Today, these early supporters find it necessary to go so far as to urge quick withdrawal of Russian occupation forces as a means to halt the widespread reaction that has set in against them. Communist-controlled puppet regimes almost everywhere find themselves on the defensive as active resistance becomes ever more stubborn.

What is the reason for this turn of affairs? It seems that first hand acquaintance with Communism as it poured over Europe's Eastern borders, and particularly the behaviour of the Red Army, has acted as an eye opener. The latter, increasingly terroristic and undisciplined, has long worn out its welcome among liberated nations. The penalty for widespread acts of terrorism, looting and violence has been not only increasing hatred but loss of prestige for the Red Army and for Russia herself. And politically, Russian failure to live up the pledges made by Stalin at Yalta has greatly embittered Eastern Europe.

Astute observers have long been predicting this very same development. Creditable reports confirm that morale and discipline of the Red Army in occupied regions has been declining drastically; the Red Army man, we hear, is far from satisfied with his lot. After complete isolation from the outside world, he has suddenly gotten a taste of "capitalist" Europe and found things there far better than at home. It has given him something to think about and he has become increasingly discontented. As a commentator recently returned from Europe aptly remarked: "Stalin has committed two great blunders — he has shown Europe to the Red Army, and he has shown the Red Army to Europe." The result of this blunder has been twofold: (1) Sharp European reaction against everything Russian, and (2) drastic undermining of Russian army morale. Today, thousands of Russian deserters are raiding and looting the countrysides of Eastern Europe. Pitched battles between Poles and Russian deserters are reportedly an almost daily occurrence. Resentment against savageries committed runs deep. Typical of the state of affairs is a recent report from occupied Germany that the Russian army command there has appealed to the Americans and British to help them round up Russian deserters who escaped into British and American occupation zones.

Danger Lies Ahead

Russia's weakness has been shown up and naturally this is reflected in the uncertainty and blustering of the Kremlin's policy. She finds herself ever more unpopular, her weakness bared and her policy increasingly discredited. By now she must realize that she cannot obtain by her present methods the friendly regimes which she wants along her borders; that she cannot gain the world's confidence by persuing her disruptive tactics; that if the breach between her and the Western nations is not to widen further, she must change her tune, or else sink into new isolation. Therein lies the great danger. It is a serious matter, not only for Europe but for the entire world, for if the breach is allowed to widen, the world will be irreconcilably divided into two blocs before a United Nations organization can even be effected. And regardless of outward appearances, relations of the Western powers with their Russian ally continue to deteriorate.

One would have thought that the fiasco of the London conference might have had a sobering effect on Russia's policy but even today, Moscow shows no sign of yielding on a *(Please turn to page 176)*

THE MARKET PATTERN AHEAD

The current technical indications suggest probable further rise. Yet there are some incipient danger signs, from an intermediate viewpoint, as discussed below. We would retain reasonable cash reserves, and we believe prudent policy requires increasingly careful selectivity, emphasizing genuine individual values.

BY A. T. MILLER

THE PAST fortnight saw a repetition of history which has been made very familiar in this bull market. The averages, excepting utilities, had been stalemated for a time. There was apparent excuse for a reaction, in view of the very sharp August-September advance, as people somewhat nervously awaited President Truman's radio address on the Administration's wage-price policy. Then, too, the Dow rail average had conspicuously failed to exceed the high made as long ago as last June. All of this made for indecision and a bit of profit-taking. But, once more, only an insignificant recession developed; and that was quickly over.

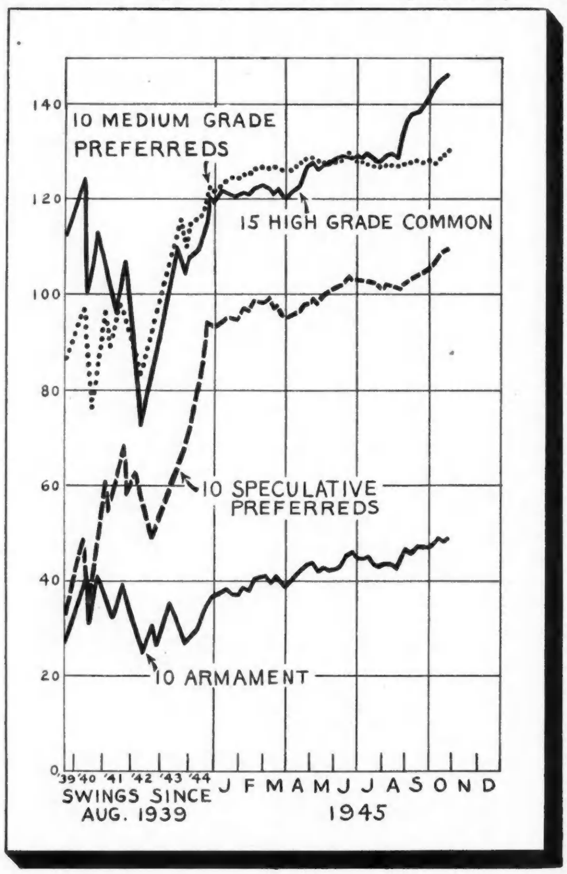
The President's statement of policy was followed immediately by renewed general rise, on sharply increased activity. The end of the week found this publication's three broad indexes at new bull market highs; the Dow industrial and utility averages also at new highs; the long laggard Dow rail average rallying strongly enough to imply an imminent test of its old high and to suggest the probability of a penetration early this week unless there suddenly develops a case of cold feet, for no new reason, on the part of a speculating public which is now enthusiastically trooping into this market with an optimism no little reminiscent of 1929.

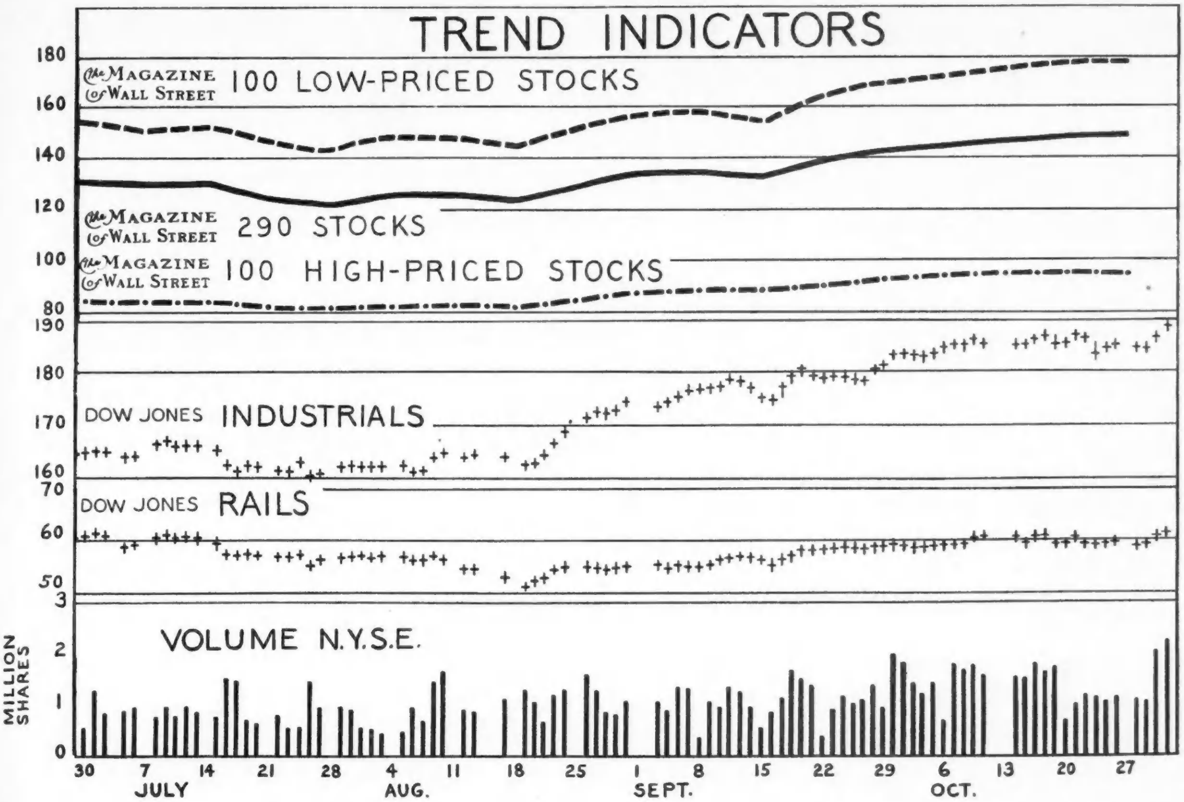
Why the response to the President's remarks on wages and prices was so bullish is hard to say—except, perhaps, to note that a bull market tends to look at most news events through rose-colored glasses. It could be that it was essentially a negative response, reflecting relief that Mr. Truman did not go as far in demanding wage increases, by specific and general formula, as some of the advance hints out of Washington had seemed to protend.

There was something in the speech that all factions could seize on. Thus labor was given the go-ahead to seek suustantial wage increases, with the Administration's blessing. Consumers were promised that price control would be kept. On the other hand, industry might take some comfort in the fact that the President urged labor to be "reasonable", stated that there must be increased productivity, warned that some decline in weekly take-home pay could not be avoided, and left the door slightly cracked for selective price increases in exceptional instances. Mr. Truman's insistence on collective bargaining on a give-and-take basis and his advocacy of the end of Federal control and a reversion to a free-market, competitive economy "as soon as possible" were also pleasing.

Yet it is no happenstance that the loudest cheers for the speech came from the labor leaders. Taken as an entity it was much nearer to what they wanted to hear than to what industry wanted. From this writer's viewpoint, it changed nothing and did not clear the air — not that such could really have been expected. Before the President spoke, this country could look forward to a series of labor-management. It still can.

For some years now the "give and take" of so-called collective bargaining has been take by labor and give by industry. Concerned as key industries may be over exorbitant wage demands on the one hand and Federal insistence on ceiling prices on the other hand, they are even more fed up with the deterioration of plant discipline, the futility of writing wage contracts which all too many local unions break with impunity whenever they please, and





with the present union limitations on productivity. Since labor is on the march, more or less supported by Washington, and since some important managements are fed up — notably in the automotive and steel industries — all the signs seem to point to a nasty showdown coming. Certainly in the reconversion industries, if not in much of the whole field of manufacture, prospective strikes, higher costs and ceiling prices — even though there may be some loopholes in the latter — cloud the profit outlook for the first half of 1946, after which it is presumed OPA will be out of the way excepting probably for continuing control over rents.

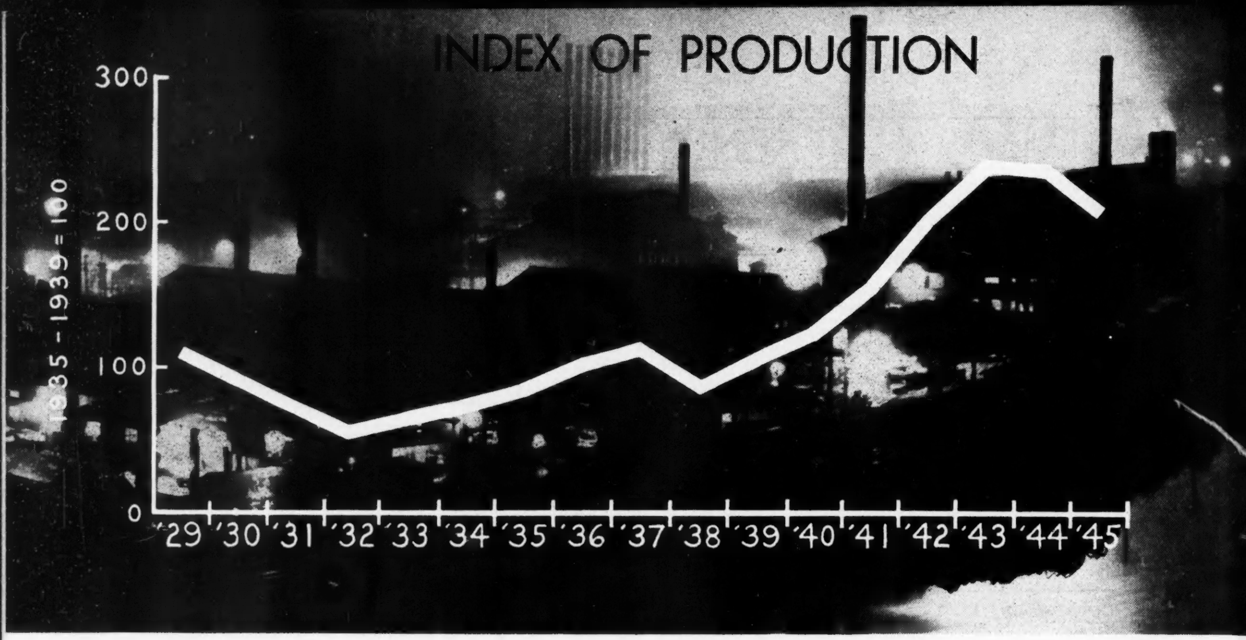
So far as it goes, this — at least for some key industries — does not seem to be a bullish prospect. What, then, is the answer? Well, money available for speculative-investment — differing from speculation chiefly in that it is cash buying — remains very plentiful, and buyers in this fourth year of the bull market, like those of 1929, appear able to project their hopes further and further in the future, ignoring intermediate alarums — so long as all reactions continue to be small and to be followed shortly by new highs. If profits are squeezed for some months, so what? They'll be fine after that. If prices are held for a time, they'll go up all the more eventually.

All of the current technical evidence suggests to us the probability that the market will go higher before suffering any serious corrective relapse. Very little tax-selling need be allowed for, since so many loss-positions have been baled out in a rise which has carried our composite index to levels actually not seen since 1929. A large percentage of holders are unwilling to take profits which will go into 1945 income tax returns, though many of these profess an inclination to take another look-around after the turn of the year. As for the longer-term outlook, a pretty convincing case can be made out for still higher prices on the basis of such fundamentals as high production, inflated money supply and low bond yields. We think this probably will work out — at least substantially.

Yet there are certain reservations in our mind. In the immediate picture, the uninformed public is getting more rampantly bullish the higher prices go. There is, on balance, a clear deterioration in the quality of the buying. More people are "buying the market", fewer are shopping for selective values.

We conclude that retention of some cash reserves is in order and that new buying, if done at all, should be more, rather than less, selective. There are still some solid values to be had. They are most likely to be found among companies with the following qualifications: either a low labor factor or no threat of importantly higher labor costs; a strong volume prospect without reconversion lag; si situated that tax relief can be translated into sharply higher profits, beginning immediately with the turn of the year; having stocks still priced in fairly moderate ratio to such indicated earnings. These requirements are not too tought. A fair number of such stocks have been cited elsewhere in recent issues of this publication, and we will cite others as promptly as careful research reveals them.

—Monday, November 5.



Ewing Galloway

Where Do We Stand Now?

BY E. A. KRAUSS

DESPITE handicaps, one of the biggest perhaps being the sudden advent of peace, industrial reconversion has been proceeding far more rapidly than generally expected. Today, three months after V-J Day, the physical change-over is well ahead of schedule with various sections of industry standing on the threshold of full civilian production. Some have crossed it boldly in the face of numerous uncertainties that have latterly arisen. Others are hesitant, waiting for the clouds to lift and reveal the conditions under which they will have to operate during the months to come.

On the whole, reconversion was remarkably simple and swift, mainly the result of careful planning and effective Government cooperation with business. Termination of war contracts proceeded speedily; the clearing of private plants from Government machinery and subsequent reestablishment of production lines for civilian output was done without undue delay. Industry is ready or almost ready to tackle the lush postwar market. Only a comparatively few plants in the heavy industries need much additional time for reconversion. Unfortunately, at this juncture, further progress is being slowed by the epochal conflict centering on the wage-price problem, dimming the broad outlines of the favorable picture that has been discernible for some time. The automobile industry particularly, one of the main pillars of postwar recovery, is sweating out the problem of charting pay-and-price relationships that may well set a pattern for the nation.

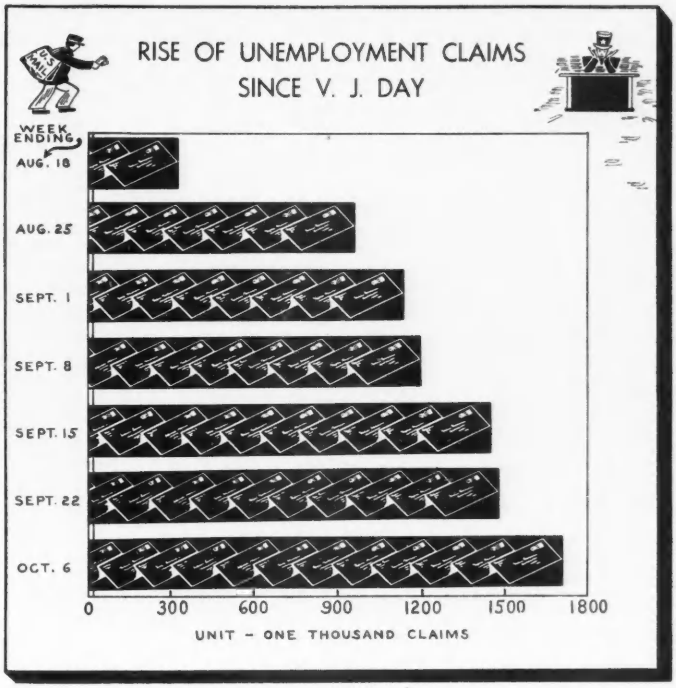
From the standpoint of general industrial activity, we are soon approaching the bottom of the reconversion trough. War production has dropped from the $5 billion monthly level earlier in the year to currently some $1.5 billion. The trend is still downwards, off from the wartime peak, and can be expected to continue so until early next year when a flattening out of the production curve can be expected to level gross national output at around $155 billion compared with a wartime peak of nearly $200 billion in 1944. Immediately ahead, however, is almost certainly a period of hesitation, confusion and uncertainty, largely because Government spending will shrink more rapidly during the remainder of 1945 than private business outlays can increase. Moreover, unsettled labor conditions, despite efforts to conciliate the problems at hand, make definite production forecasts somewhat of a gamble.

Statistically, the trend thus far has been reflected by a drop of the industrial production index from 226 at the end of the war to currently around 164, or a decline of 27%. By early next year, the index may be off to 140—or an overall drop of about 38%. Thereafter a fairly rapid recovery to about 160 is expected by the end of 1946.

Despite the sharp reversal of our production curve, business is by no means bad, to say the least. This conclusion is amply supported by a recent WPB survey which shows that production schedules furnished by 10,822 plants in 59 selected industries pointed to a civilian goods output in August of 51% above the monthly average for 1939; and that a further increase in September brought production to a level 60% above the 1939 figure. This percentage gain is expected to increase to 153% by December (barring major strikes) and possibly to as high as 238% by next June. Such progress, however, is only possible if the nation's key problem, wages and prices, is constructively solved within the next few weeks.

At the moment, this prospect is by no means assured. The outlook in that respect is less clear than at any time. Resumption of civilian production has been and still is slowed because of labor troubles and failure to formulate a clearcut wage-price policy, and there is no telling what further delays will be encountered.

From a technical and industrial viewpoint, it seems, we have been far readier for quick reconversion and return to normal production than from the psychological standpoint. The human element in reconversion has been neglected and consequently we now witness a letdown in our national effort, accompanied by a state of dissatisfaction, unrest and confusion best illustrated by the failure of collective bargaining to bring about a settlement of the take-home wage issue. And in the absence of a definite move to overcome the impasse, the outlook for early industrial peace is none too bright. Thus the present is a time for action as well as for stock taking.



Curiously, at the moment, there is apparently little worry over unemployment. The first impact of war-end cutbacks has almost spent itself. Paradoxically, employment is on the upswing—in line with past reconversion progress — but unemployment, too, is rising. This apparent contradiction is explained by the fact that additional thousands are daily entering the labor market from the armed services. According to best available estimates, we have now about two million unemployed workers. That of course is not the number that was laid off by the war industries; probably some three million jobs at least were wiped out when war orders ceased. But the bulk of these job holders quickly obtained other work, often with the same companies and industries, and many quit the labor market entirely. Around mid-October, the number of unemployment compensation claims had risen to about 1.7 million, up sharply after VJ-Day as can readily be seen on the accompanying chart.

Unemployment to Increase

Unemployment, of course, will tend to skyrocket with the rising rate of demobilization late this year and early next. Idle workers by the end of 1945 may total four million, and perhaps six to eight million when the spring peak of unemployment is reached. Meanwhile the anomaly exists of shortages of labor and unemployment at the same time in the same places. At present, the available labor supply is not nearly as abundant as was hoped; moreover, its quality is often unsatisfactory but this is expected to improve progressively with the further release of skilled workers from the armed forces.

Indubitably, for the moment, things in the industrial world are tending to drag from the production standpoint until existing uncertainties are cleared up and postwar rules of doing business are more definitely defined than at present. But in other directions, active preparations continue for the eventual upsurge of production. Inventory replenishment, for instance, is proceeding apace. Though retail inventories are somewhat ahead of 1944 levels, those of manufacturers and wholesalers are markedly lower and are now being replaced with civilian type stock, pointing to an early substantial net increase. The strong uptrend in this direction can hardly be viewed as a danger sign; rather it is a constructive development. Moreover, any excessive accumulation will be discouraged by existing regulations. But as replenishment proceeds, production bottlenecks will disappear enabling civilian goods output to surge ahead.

Materials shortages leading to bottlenecks are still pronounced in tin, lead, antimony, lumber, natural rubber, hard fibers as well as in paper, cotton, textiles, building materials, plumbing and heating supplies. Automobile tires, currently still short, will soon be in ample supply.

Further progress has been made in the freeing of business from emergency controls. Restriction on the production and distribution of all metals except tin, lead and antimony expired early in October with the passing of the Controlled Materials Plan under which metals were channeled into designated uses for nearly three years. Instead, a simplified priorities rating has been retained to allocate the relatively few materials and components still in critically short supply.

That much for the general picture. How about individual industries? How have they fared in their endeavor to change over as quickly as possible from war to peace operations? How about the prospective flow of consumer goods into the hands of eager buyers? The answer is that here, too, progress has been shot through with numerous cross currents but on the whole has been gratifyingly swift in most instances.

We know that labor troubles have set back automobile production schedules and have brought confusion to certain other industries. Still it can be said that reconversion is largely behind the auto industry. Production of new passenger cars is cur-

rently proceeding at a rate of approximately 1,400 units daily, in addition to about 750 trucks a day. By the end of November, barring serious strikes, the output rate will go past a level of 6,000 cars per work day. Peak 1946 model production should be reached early next spring.

Production Schedules Revised

But withal, auto production is not moving as fast ahead as expected. The initial goal of stepping up production this year to some 500,000 units is gone with the (strike) wind; probably little more than half of that number can be made. Thus new cars for the average buyer may still be some nine months away. It will take that long at least until he can get what he wants when he wants it. Meanwhile, automotive parts production is going full blast following the end of scattered strikes.

Steel output, most sensitive barometer of business activity, has been holding amazingly well except during the short period when the coal strike forced the closing of some mills. In the initial reconversion phase, steel proved to be a major bottleneck which has now been broken with ingot output snapping back above 70% of capacity.

Household equipment makers, who incidentally reconverted almost overnight, are well along in stocking dealers but the production pace latterly was slowed by the need for more materials and due to lacks of adequate labor. Because of these circumstances, the industry is now behind its reconversion timetable and altogether it may be sixty days later than originally planned until appliances appear on the market in volume. Relatively few will be available for Christmas. There has been a lack of components, electric motors, brushes and special steel for chrome plating. Thus refrigerators, washing machines and similar durables will come back rather slowly. Simple electrical appliances will become available faster. Such production may surpass the prewar rate of output by the end of the year and manufacturers will be producing at their highest levels by early 1946.

Radio production, also behind because of pricing troubles, is now beginning to catch up. However, radio makers figure that they have lost some $20 million in 1945 production volume because the radio parts manufacturers battled lengthily for more lenient OPA ceilings. WPB originally estimated that

A Dayton, Ohio strike halted production on refrigerators and ranges and kept 12,000 from work.

International News

How They Fare In Reconversion

GENERAL ELECTRIC—By the turn of the year, reconversion is expected to be completed. Sales should rise steadily to a peak 100% higher than pre-war; 27 civilian plants will be added in the next two years, and by the end of 1947, employment may be double pre-war peak of 70,000 workers.

ROYAL TYPEWRITER—Now under way is a revamping of plant layout and acquisition of modern machine tools, financed by the company's working capital. Capacity typewriter production should be reached in 1946; factory employment then will have increased to 6,000 people, which is more than in pre-war years and compares with 3,500 employees during the war.

PACKARD—1946 models are now in production and will be publicly shown early November.

GRAHAM-PAIGE—Early in December, the first of 50,000 Rototiller farm machines will be ready for delivery.

FEDERAL MOGUL—No serious reconversion problems. Has recently reduced $4 million VT credit to a $1 million T commitment for possible reconversion use. As yet, no credit has been needed.

CHRYSLER—Plant conversion is ahead of schedule. Reconversion cost is estimated at $57 million, and expansion plans call for $18 million. Present employment is 55,000 as compared with pre-war 75,000 and 140,000 war time peak.

CROSLEY MOTORS—January, cars will begin to roll off assembly line with full production being reached mid 1946. Employment of 1200 persons will be required.

HUDSON MOTORS — Reconversion expenses approximate $2 million, plus an additional $2 million for improvement. Between now and the year end, production will be 10 to 12 thousand cars.

AMERICAN CENTRAL MFG.—Necessary reconversion of plant facilities is now completed, and production of household equipment, such as all-steel kitchen sinks and cabinets, will be under way by November 1.

AMERICAN MACHINE & METALS—Inability to obtain materials is preventing large scale operations. Conditions should be remedied and expanding production possible in the first quarter of 1946.

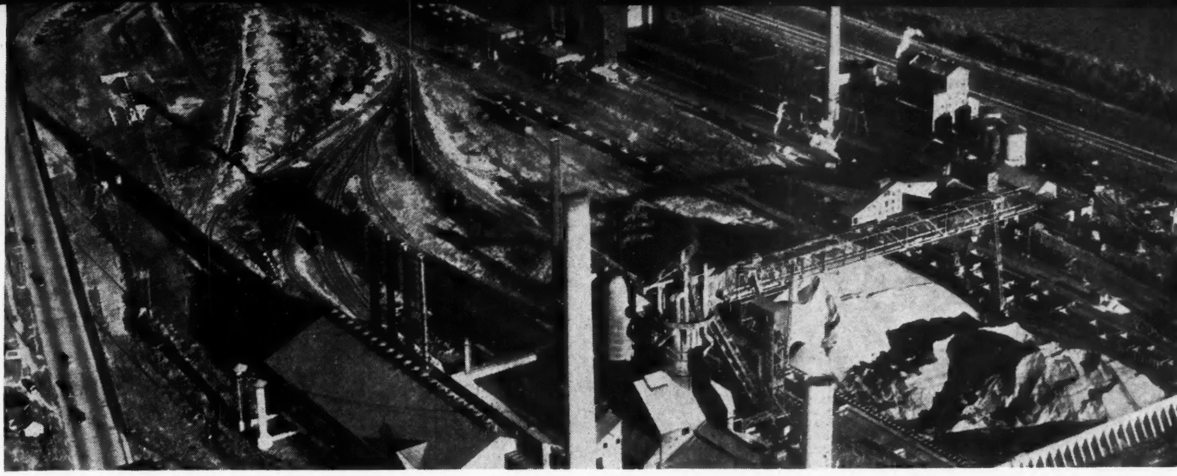
HOOVER CO.—Continuance of some war work and difficulty in reconversion of plant facilities makes impossible any definite production schedule of vacuum cleaners.

WESTINGHOUSE AND GENERAL ELECTRIC—Bottleneck in small electric appliance production is the shortage of chrome plating steel which may delay volume production until 1946.

NASH-KELVINATOR—1946 models of Nash cars now in production with the first public showing scheduled in November. Strikes in parts manufacturers' plants have delayed production start about 30 days.

some 1,750,000 radio sets valued at $44 million might be built by December. Now the industry contends that it will be lucky if it turns out half that number.

The farm machinery industry is already far advanced in normal production and is making further progress despite labor difficulties and man power shortages. Office equipment manufacturers are delayed somewhat by shortages of a few important materials and inability to obtain an adequate number of workers at normal wage rates. The lumber industry and textile mills are finding it particularly hard to get workers at existing rates of pay. Paint manufacturers have been held back in all-out production efforts by shortages of oils and pigments. But supplies are increasing rapidly and the paint industry expects to hit 75% of its normal production volume in the course of this month. Building has been freed from Government restrictions but home building won't really get going until Spring or even Summer 1946. It will be a *(Please turn to page 176)*



Fairchild Aerial Surveys

SELLING COSTS as a Factor in Postwar Business

BY RICHARD COLSTON

KEYNOTED by a message from President Truman "that intensive market exploitation must now replace wartime allocation of goods" and that "the consumer must be reached and sold at the lowest possible cost," the annual Boston Conference on Distribution attended by 1,000 business executives was recently held. To businessmen, this annual meeting is always an important event but this year it held particular significance, with American business on the threshold of the postwar era—facing the task of polishing up the techniques of selling and servicing after they had been laid aside for more important things during the war. The President's words aptly paraphrased the immediate task ahead. Circumstances clearly point to the need for a critical re-examination of the ways and means, and the cost of distributing goods and services from producer to consumer.

During the war, industry and particularly the manufacturing industries had virtually one customer only — Uncle Sam. No selling effort was involved. Henceforth goods must again be sold in an open and competitive market. It is a fair conclusion that the ratio of selling costs for most distributing outlets will tend upwards, that marketing costs—especially in fields other than retailing—will be higher than in war years, particularly when postwar competition becomes severe as it eventually will. The postwar will bring an urgent demand for low-cost distribution. Efficient control of selling costs thus assumes added importance in view of the definite relation between selling costs, profit margins and earnings. The investor interest in the matter is obvious.

The impact of selling costs as a factor in business naturally is of varying force. In some industries, such costs add up to but a small fraction of net sales; in others they may range up to one-third or higher. Similarly, postwar significance of selling costs—apart from fundamentals affecting any particular industry—may vary with individual wartime experience of a company or industry, and with future plans. Some, for instance, have found that wartime disruption of their sales organizations resulted in substantial, if temporary savings but conversely, their selling costs initially at least will run above average now when sales organizations must be rebuilt for the postwar competitive struggle. A good many companies in the durable consumer goods field—having had nothing to sell in their regular lines during the war years—find themselves in such a position. Their initial selling expenses thus may well run considerably above prewar.

Many companies report that as an outgrowth of conditions of the wartime market, their selling costs have gone down appreciably. It is only natural that they are now making studies to see which, if any, of these savings can be carried over into peacetime operations, for the differential advantage accruing from efficient marketing is well realized. Such studies will include not only determination of the specific items on which expenses have been reduced but also determination how far cost savings were due to (1) the wartime sellers' market, (b) increased volume of sales as a result of an expanding market, or (3) an actual increase in selling efficiency. Strange as it may seem to many who in wartime have noted nothing but deterioration of selling efficiency, there actually occurred in a good many instances a definite improvement in efficiency, born largely from forced rationalization of personnel shortages. Under wartime transportation restricions, for instance, sales forces had to develop intensified market coverage with new emphasis on selling by mail and telephone. Frequently these experiments worked out surprisingly well; some of the resultant cost reductions no doubt will be carried over into peacetime.

But on the whole, postwar selling costs are likely to be higher, reflecting the uptrend in everything that enters the sales process. Salesmen, for example, are at a premium and some companies invading new fields encounter great difficulties in setting up an efficient distribution organization. Then of course there will be a new accent on promotional activities of all kinds. Advertising budgets will soar, to mention but one probability. Frequently, dealer outlets will have to be recreated. In retailing, selling staffs must be augmented and many services—suspended in wartime but essential in peacetime—must be re-

instated, adding to selling costs. It will do things to profit margins, since such additional expenses cannot always be fully passed on to the customer.

In this respect, as in others, companies and industries with relatively low distribution costs enjoy an important differential advantage, since they are better able to absorb rising selling costs without unduly deleterious effect on earnings, or without forcing price increases which may jeopardize sales potentials. Just how distribution costs in the early postwar will compare with prewar is of course difficult to say. While there may be an absolute increase, expected huge sales volume for a time at least may convert this into a relatively smaller ratio; in other words, volume may absorb any increase in sales costs. Also, so long as there will be a sellers' market, business may not be in too great a hurry to reinstate a good many services previously rendered free to the customer. For a time, such a policy may help keep down selling costs but eventually, as competition becomes keener, it may have to be abandoned with resultant rise in marketing costs. Thus temporarily at least, there may be compensating factors — though by no means universally — that may minimize the prospective postwar increase in distribution costs. The problem will become more acute once real postwar competition makes itself felt, the inevitable consequence of our vastly expanded productive capacity and progressively satiated markets.

Varying Cost Ratios

Distribution costs have always been a matter of intensive study, not only for competitive reasons but—even more important—because of the vital role of such costs in our overall economy. The investor, too, has an obvious stake in the problem, for cost ratios and profits are closely intertwined. Hence a review of such ratios among principal business groups should be of more than passing interest. While postwar ratios may vary from prewar in some instances—either temporarily due to wartime factors or permanently because of changed competitive line-ups—industry's prewar experience as a whole affords an adequate guide in appraising cost relationships and more particularly in determining where low distribution costs impart an important advantage.

The Federal Trade Commission some time ago published a detailed report on advertising and selling expenditures of 91 major industries in the year 1940, covering over 2,700 important manufacturers. Appended is a partial list of the industries covered; the wide variations in cost ratios, both as to advertising and other selling expenditures, is, if not new, certainly interesting.

Of the industry groups whose distribution costs have been surveyed by the FTC, 42 spent less than 1% of net sales on advertising; they were predominantly makers of heavy capital goods, raw or partly finished materials, and a few staples such as sugar and matches. The "average" spenders were makers of trademarked consumer goods and industrial machine specialties, the trademark influence becoming stronger in the higher bracket where canned goods, tobaccos, soaps and other items are found. It is significant that for only four of these 42 groups,

Distribution Costs in Representative Industries

(On basis of 1940 experience)

Industry	Number of Companies	Advertising Cost (%)	Selling & Delivery Cost (%)	Total Distribution Cost (%)
Hardware	35	1.06%	8.38%	9.44%
Mechanical stokers	9	1.07	8.16	9.23
Milk and milk products	122	1.10	12.44	13.54
Glass and glassware	22	1.25	6.36	7.61
Petroleum refining	40	1.25	12.51	13.76
Agricultural machinery and tractors	20	1.33	10.79	12.12
Internal combustion engines	13	1.33	7.16	8.49
Food products machinery	23	1.50	14.01	15.51
Gypsum products	9	1.57	9.62	11.19
Electrical machinery and apparatus	49	1.58	9.13	10.71
Asbestos and abrasive products	32	1.59	12.20	13.79
Furniture	71	1.59	8.85	10.44
Footwear (except rubber) sold through own stores	10	1.60	14.20	15.80
Pumps and air compressors	20	1.61	12.71	14.32
Men's and boys' clothing—sold direct to wearer	3	1.70	18.50	20.20
Commercial laundry, dry cleaning, pressing equipt.	6	1.84	17.51	19.35
Motor vehicles	23	1.94	3.29	5.23
Corn products	11	2.00	6.26	8.26
Refrigerators and air conditioning equipment	21	2.02	8.45	10.47
Rubber products	29	2.07	12.20	14.27
Heating and cooking apparatus	39	2.20	12.63	14.83
Wool carpets and rugs	21	2.30	7.21	9.51
Paint, varnish and lacquer	40	2.46	13.33	15.79
Biscuits and crackers	7	2.60	23.23	25.83
Bread and bakery products	82	2.63	24.24	26.87
Office and store machines	20	2.63	26.72	29.35
Wallboard, building insulation, floor composition	15	3.45	13.00	16.45
Men's and boys' clothing—sold to trade	21	3.60	6.40	10.00
Linoleum and hard surface floor covering	10	3.67	8.78	12.45
Men's and boys' clothing—sold thrown own stores	5	4.20	20.90	25.10
Cigars	12	5.40	7.40	12.80
Fruit and vegetable canning	49	4.49	6.87	11.36
Tobacco products	6	8.20	10.60	18.80
Malt beverages	41	8.97	15.70	24.67
Distilled liquors	14	9.79	10.52	20.31
Soaps and cooking fats	20	10.94	8.89	19.83
Cigarettes	10	11.30	4.60	15.90
Cereal preparations	14	13.08	5.77	18.85
Drugs and medicines	20	13.94	13.41	27.35

Source: Federal Trade Commission Survey

total distribution expense (advertising, selling and delivery costs) exceeded 10%. They are makers of sewing machines with total distribution costs of 36.53% of net sales and heading the entire list; match manufacturing, 13.03%; beet sugar manufacturing, 13.02%; and special industry machines, 10.56%.

The five groups with smallest advertising expenses were: shipbuilding and crude petroleum (0.08%); merchant pig iron (0.15%); copper smelting and refining (0.16%); and cane sugar refining (0.17%). The five highest ranking groups were: drugs and medicines (13.94%); cereal preparations (13.08%); cigarettes (11.30%); soaps and cooking fats (10.94%); and distilled liquors (9.79%).

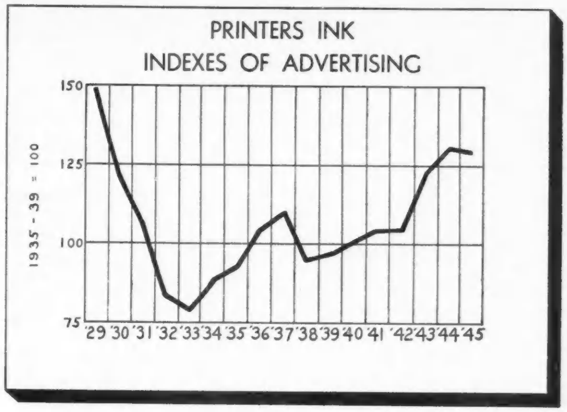
Differing Trends and Relationships

Generally, it is found that industries with low advertising expenses had low overall distribution costs and vice versa. But there are striking exceptions, one being the sewing machine industry. With comparatively low advertising expenditures (0.98%), that industry ranked highest in total distribution costs (36.53%). Also, FTC's figures give no unqualified support to the theory that the manufacturer who spends big money for advertising can make it up by shaving other selling costs. Thus the drug industry, number one advertiser on a percentage basis, ranked third in total distribution costs (13.94% and 27.35% respectively). Makers of cereals, soaps and cooking fats, distilled liquors, beer, biscuits and crackers, bread and bakery products, office and store machines were other big advertisers with high total distribution costs. On the other hand, fruit and vegetable canners were the most outstanding example of an industry with a relatively heavy advertising budget but moderate overall distribution costs (4.49% and 11.36% respectively).

The figures further show that the automotive industry, third biggest peacetime advertiser in terms of dollar volume (food is number one, drugs number two), is getting proportionately more for its advertising dollar than any other. Advertising expenses of motor vehicle makers were 1.94 cents per dollar of net sales while other selling expenses came to 3.29 cents, making total distribution costs of 5.23 per dollar of net sales, a surprisingly low ratio. Of course this finds a ready explanation in the fact that delivery costs are usually paid by the retail buyer and that selling costs are relatively small, the main selling effort being made by the dealer. The automobile industry thus enjoys an important advantage.

Industries with Moderate Prewar Distribution Costs in Relation to Net Sales

Automobiles	Industrial Chemicals
Automotive Parts	Hardware
Lumber	Glass and Glass Products
Railroad Equipment	Agricultural Machinery
Cotton Textiles	Gypsum Products
Oil Field Machinery	Electrical Machinery
Machine Tools	Furniture
Paper and Pulp	Refrigerators
Mining Machinery	Air Conditioning Equipment
Rayon	Rugs and Carpets



In contrast, the office machine industry spent only 2.63% for advertising but 26.72% for other sales costs, making total distribution costs 29.35%. Other industries where total distribution costs exceed 20% of net sales include makers of men's and boys' clothing (sold direct to wearer) with 20.20%; biscuits and crackers (25.83%); bread and bakery products (26.87%); men's and boys' clothing (sold through own stores) 25.10%; malt beverages (24.67%); distilled liquors (20.31%); drugs and medicines (27.35%); rubber tires and tubes (22.22%); paints and varnishes (23.31%); petroleum products (21.80%).

While low distribution costs constitute a definite advantage, it would be erroneous to conclude, unqualifiedly, that high distribution costs mean just the opposite, especially where advertising expenses cover a goodly percentage of the total. Advertising stimulates volume, and expanding volume permits lower unit costs, thus raises profit margins. Relatively heavy advertising expenses, in other words, can be productive of exceptional profits, far more than offsetting the cost involved. This differential advantage—consumer preference built up by advertising—is important as the record of many of our leading corporations proves. The only drawback is that it may not be permanent. The competitive field is open and other companies by large-scale advertising may raid an established market. Sometimes they succeed; often they fail and on top of it lose a goodly part of their earnings. The well-known advertising battles between the cigarette companies abound with illustrations of the uncertainty of advertising to produce results, either to retain a market or to enlarge it.

On the other hand, there are numerous examples of companies which by means of consistent advertising have managed to establish for their products a degree of consumer preference, or general corporate reputation, that has lead to enviable profits. The stable earning power of the drug and pharmaceutical industry, for instance, is proof of the value of advertising in maintaining old markets and creating new ones; thus despite heavy outlays for this purpose, the resultant high distribution costs can hardly be called disadvantageous. And frequently, though not always, relatively high advertising costs are accompanied by relatively low selling expense, such as in the case of cigarettes, cereals, cigars, and a few other classifica- (*Please turn to page* 167)

Happening in Washington

Cushing Photo

BY E. K. T.

SOCIAL SECURITY Board figures do not support the thesis often advanced that the American public will squeeze the last drop out of jobless benefit legislation before settling down to work. For example, although about 7 million jobs have been wiped out since Victory over Japan, only 1.7 million claims for benefits are pending. Moreover, about 35 per cent of the workers who have filed since V-J Day have left the claims rolls and taken jobs, in some cases before they actually have collected any benefits. What constitutes "suitable employment" has been a drawback to an even better record.

WASHINGTON SEES:

Opinion is growing in the Capital that the government is "reconverting" too rapidly and that the force of speed without direction will have harmful results.

President Truman has sought to come to grips with the wage-price dilemma, but that is not enough; a comprehensive program must be worked out to remove the element of chance, the trusting that things somehow will work out all right in the end. A striking example of the haphazard system is retention of the Office of Price Administration, on the one hand, and the liquidation of the National War Labor Board on the other. WLB exercised a fair degree of control over wage and salary levels, and with wages the largest single item of production costs there today is no agency operating in that field. The result is to cut the ground from beneath OPA efforts to maintain price ceilings.

Another example is the War Production Board which was allowed to go out of existence Nov. 3. With no raw materials allocation plan, efforts are being made to create out of export licensing a means by which domestic industry might have its needs fulfilled. The effect of that method upon restoration of foreign trade is giving congress members great concern.

Underlying trouble is that federal agencies are being permitted to determine their own tenure. For instance, WPB went out of business when Chairman J. A. Krug decided to go into private business.

NOVELTY of John L. Lewis' calling off the coal miners strike (which he previously said he hadn't authorized and couldn't control) in "the public interest" obscured the fact that only the manifestation and not the basic ill, was wiped out. In cold facts, 1030 mines had been shut down, 208,000 miners were idle and the country was deprived of 15 million tons of coal. That loss can't be made up. The strike issue was not settled, merely postponed. The bushy-browed czar of coal production is waiting "some more opportune time" to resume the battle. Schwellenbach hears an ominous tone in those words.

SUBSIDIZATION of the aluminum industry to break the Alcoa grip is virtually a settled policy. Announcement to that effect may be expected when numerous administrative details can be ironed out. Department of Justice and the Surplus Property Administration see no other solution—and they have put much thinking into it. Aluminum industry expanded seven-fold during the war, but one-half the productive facilities are government-owned, much of it Alcoa-operated. National security will be advanced as the reason behind the move which is fundamentally a government operation and will meet some opposition on that ground.

OPA'S SWAN SONG is being sung. Testimony of Chester Bowles before congressional committees adds up to the certainty that most price controls on foods will be discontinued before June 30, after which there will be limited regulation, probably operated by an old-line agency, such as the Treasury. Rationing is likely to end January 1. First to go will be red point programs, sometime in November. Sugar will continue on the list. Government is unwilling to dismantle the system, will continue it as long as possible as a curb on recurring shortages, threats of inflation.

KEYNES mission to Washington can be put down as failure insofar as his country is concerned. Halifax will take an increasingly important role from now on. The Keynes propositions have been examined by congress, rejected. At the lower level, acceptable bases have been discussed on credit, interest, and amortization. Lord Keynes will depart from the scene shortly.

AS WE GO TO PRESS

Bottleneck which will delay the hoped-for 6.5 billion dollar construction program for 1946 is brick and cast iron. U.S. Department of Commerce makes that finding in a survey. Unless unexpected spurt develops, next year will witness boomlet, not boom in building.

Government fact finders list 2 billion dollars for housing as a certainty for next year, if the materials can be found. They say additional 4 billions will be put into industrial plant, public works and road construction, equal amount will be spent on repairs, reconstruction.

Employers confused by numerous private compilations of their rights, liabilities under the GI Bill of Rights and other federal legislation, now can get the entire set of rules, regulations, interpretations in a single book: "Veterans Assistance Handbook."

Government Printing Office has issued the volume. Too many unofficial interpreters made it necessary. Veterans were being misled, employers being harassed. Now it's all between two covers.

Soldiers bonus agitation is growing and the issue which dragged along for a dozen years after World War I, topped by a Washington riot (quelled, incidentally, by Douglas MacArthur) is a live subject today. Higher service pay during the war, increased home allotments, were thought by Congress to be insurance against another call for "adjusted service compensation." It didn't work.

Veterans of Foreign Wars is leading off with call for legislation providing maximum of $3,500 for those who served domestically, up to $4,000 for those who went overseas, and $500 extra for the wounded.

Businessmen will do well to make mental note of government experience in peddling off "inventory" found on hand when war ended, and for which no normal market was found. Federal Public Housing Administration has 6,000 temporary dwelling units, intended for export to England, but rejected when lend-lease was cancelled.

Deal was made for sale to France for erection in bombed-out coastal cities--the government's recovery will be 50 cents on the dollar. And more lumber will be required for crating the material than went into its actual construction.

Congressional policy will settle on 65-cent minimum wage, but only after much shuffling around. And labor will be asked to give up certain "premiums" including double overtime pay.

White House is concerned, but not worried over strike situation. Happenings on New York City docks was taken to indicate type of labor strife ahead; it was really a raid by one union (AFL) against another (CIO). Legislation won't cure that.

Discontent in labor union ranks, directly aimed at incompetent, immature leadership, promises to grow with increased unemployment. In the labor civil war, public and the employer will, as usual, be the victims with the government as an ineffectual referee.

Creation of a White House berth for John Steelman, ace government conciliator in labor problems, deserved more attention than it received. Henceforth, Steelman will speak with the voice of Executive Mansion authority. The implications will not be taken lightly on either side of the labor-management table.

Lord Halifax statement that loan negotiations have not broken down, merely have encountered delays, is true but doesn't tell the whole story. The United

States, for once, is proving a tough trader. This country's bargainers are holding to their original points.

Britain hasn't given in officially but news from the inner sanctum suggests that the Sterling bloc, the Empire preference, and the chestnut that Britain rules the shipping waves, died in the past month.

Most drastic of the numerous Patman (Rep. Wright Patman of Texas) Bills to go into the legislative hopper is his latest proposal for federal statute barring anyone who has been convicted of antitrust law violation from serving as an officer or director of any corporation engaged in interstate commerce.

Recent court decisions holding it's not necessary to send commodities over a state line--if raw materials come from outside the state--to constitute interstate commerce, show how broad the coverage would be. Likewise the dragnet indictment of officers and directors of accused corporations add up to the same result.

Not all supporters of legislation to return the U.S. Employment Service to the states can be put down as sincere backers of the shift. There's an undercurrent of thought in Washington that the sooner the shift, the sooner there will be federalization of state unemployment systems.

Rep. Robert Ramspeck, majority "whip," charged governors and state administrators with seeking to control the 23,000 patronage jobs involved. He didn't say Congressmen who oppose the change have a similar interest. But wartime federalization gave Washington a new patronage field which Congress members don't want to yield.

Thought is expressed in politics-wise quarters here that transfer to the states at this time will shift the reconversion headache, cause the system to break down, create a demand for permanent federalization. That can be put down as very much minority thought and the transfer will be made anyway.

Strike vote provision of the National Labor Relations Act may be repealed before the statutory state of its expiration, which is six months after the President proclaims end of the war. The system has broken down administratively, with a backlog of cases which NLRB cannot possibly overcome.

Rep. Smith of Virginia, author of the "cooling off" provision--no strike without a vote--wants the section deleted. Debate on the resolution he'll introduce will set off a campaign for a new system of labor-management relations.

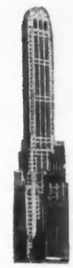
Trial balloon to draw out the United States Government for more detailed delineation of its intentions in the field of foreign security purchase, is the government economists' appraisal of statement by J. Flifford Folger, president of Investment Bankers Association of America, that within the next decade 9 billion dollars of private American funds will go into that market.

Government's reply will be forthcoming. It will say that private lendings would work against the United States foreign policy; also that there is danger of default--so great that the government, not individuals, should take the risk.

Surplus property inventory figures run into staggering amounts and provide amateur economists with abundant material upon which to predicate fears of terrific impact upon American markets, but as often is the case with Washington figures, they are deceptive.

Capital and producers goods declared surplus up to Sept. 30 had totaled more than 4.3 billion dollars. The SPA report showed 75 per cent of the surplus property, as of a given date, was aircraft--and only one-eighth of it was classed as "salable."

BANK STOCKS TODAY



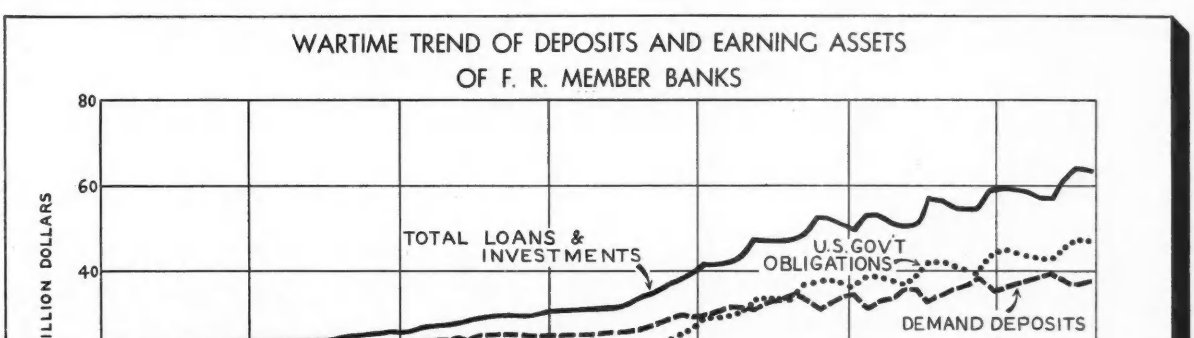
BY H. S. COFFIN

PRONOUNCED strength in bank shares, with the upward trend well sustained during most of the current year to date, reflects increasing recognition of the soundness and earnings potentials of the nation's banking system, one of the most important branches of our economy. Forces bred of war have pushed resources of the banks to record heights certain to be topped again by the year's end, and as chances that the gains will be well held in post-war are bright, the banks will be amply supplied with resources during the coming economic activity. As an investment medium, therefore, shares of strong institutions carry warrantable popular appeal.

The business of handling deposits and reloaning them for short or long periods at a profit to the bank, while inherently venturesome, has achieved new standards of protection for depositors and stockholders alike since the disastrous period of the early 1930s. In contrast to the wave of bank failures which swept over the country at that time, in number running into the thousands, an average of about 60 banks throughout the country closed because of financial difficulties during the years in the 1934-39 period, the figure dropping to 22 in 1940, nine in 1940, four in 1943, one in 1944, and from January to August of the current year, not a single instance has been reported. While these figures do not include a few cases where weakened banks have been absorbed by their competitors, the progressive improvement in the banking structure of the country is indubitable. Fact is that bank failures stem mainly from two causes—unfortunate loans and investments or runs upon the bank—and increasingly rigid requirements of bank examiners lessen the former risk, while the combined effects of Federal Deposit Insurance and immediate liquidity assured by the Federal Banks has importantly minimized the danger of wholesale deposit withdrawals.

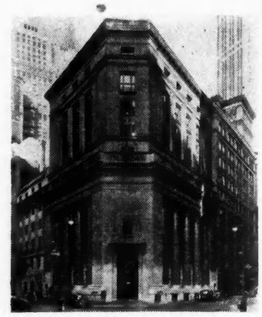
During war years, furthermore, confidence in bank shares has been measurably enhanced by a vast deposit expansion, the lendable funds finding a ready borrower in the Government itself, and with risks assumed in lending to industry broadly diminished by the fact that its major activities were federally inspired and supported. Currently, therefore, the earnings assets of the banks are invested to a significant degree in the safest manner ever achieved, and while interest rates have reached historical lows, the swollen amounts of employable funds have produced highly satisfactory earnings, indeed with an upward trend which continued right up to date. Net result in 1944 was that earnings of 13,268 banks insured by FDI equalled 9.7% on their average capital accounts.

On June 30, 1945, total deposits of 14,543 banks had soared to an all-time peak of $151.4 billion compared with $41.28 billion in 29,175 banks in 1920, indicating the huge expansion in funds which has taken place. At the outbreak of war, bank deposits amounted to $81.780 million, thus the wartime rate of increase has been 85%. United States Government deposits alone reached an all-time record peak of $24.6 billion at the end of last June and bank holdings of Government bonds reached a new high



of $93.6 billion, illustrating the enormous extent to which Washington has become a client of the banks, both as a depositor and as a borrower. At the time of Pearl Harbor, total loans, other than Federal, were at a level of about $26.6 billion, dropping to $22.2 billion in 1943 but rising to a record top of $28 billion this late June, when war production came to its climax. While it is not determinable what proportion of these loans was directly or indirectly the obligation of the Government, those guaranteed by the War Department, the Navy and the Maritime Commission on June 30, 1945 under Regulation V amounted to $1.19 billion compared with $1.7 billion in 1944. These V loans to industry have been both safe and profitable for the banks, for while the rate of interest has been modest, ¼ of 1% profit is allowable upon the unused portion of the credits agreed upon and substantial amounts have either been cancelled or never will be used. Up to August 1 this year, $10.2 billion V loans had been underwritten, of which $4.2 billion had been paid off or withdrawn and $3.6 billion had not yet been used.

As a bank loaning $2 million at 2% earns as much profit as it would have done in loaning $1 million at 4%, the ability of the banks to sustain or improve earnings during periods when rates are unusually low becomes understandable, as long as deposits climb to dizzy heights as during the past few years. Chief problem of the banker is to keep his available funds continuously at work earning interest for his institution, in consistence with the regulations set down by the authorities for his guidance. Technically, a definite percentage of deposits is not lendable as cash resources to meet withdrawals must always be ample, and the relationship of capital resources to deposits must be carefully watched to assure conservative operation of the bank. While the privilege of rediscounting loans by the 6800 members of the Federal Reserve System strongly reinforces their cash position, strong pressure may force increases in outstanding capital when the need for such action becomes apparent.



With this in mind, bank dividends generally have been held to a relatively modest proportion of earnings for many years past. During the 1920s, when large deposit increases were the rule, corresponding expansions in banking capital were eagerly absorbed by shareholders, as terms of subscription usually resulted in substantial profit gains. Similar circumstances appear to be in the making under current conditions when deposits already have strained the desirable ratio of capital and surplus to deposit liabilities, and advantageous opportunities for further investment in this interesting field have been offered shareholders in a number of strong institutions. Stock dividends to capitalize swollen reserves have also begun to feature the news and are more than likely to grow in number from now on, judging from the steady improvement disclosed by many current bank statements.

Local conditions and differing policies, for practical reasons, narrow appraisals of bank shares in

Statistical Data on Leading American Banks

	Wartime Increase in Deposits (12/30/40-9/30/45) Per Cent	Earning Assets as % of Total Resources 9/30/45	Gov't Securities as % of Total Earning Assets 9/30/45	Net Per Common Share 1943	Net Per Common Share 1944	1944 Div.	Book Value Per Comm. 9/30/45	1944-45 Price Range* High	1944-45 Price Range* Low	Curr. Price 10/22 Bids	Current Yield	Price Earnings Ratio
Leading New York Banks:												
Bank of Manhattan	53.4%	80.0%	56.1%	$1.66	$2.07	$ .90	$29.85	35	20⅞	33⅞	2.6%	16.3
Bank of New York	25.9	83.2	68.9	24.42	27.00	14.00	431.69	483	375	478	2.9	17.7
Bankers Trust Co.	14.1	81.9	66.4	4.57	5.16	1.16⅔	47.28	53½	39⅝	52½	2.2	10.1
Brooklyn Trust Co.	83.8	78.8	78.0	5.19	7.35	4.00	182.58	132	85	129	3.1	17.5
Cent. Hanover Bk. & Tr. Co.	31.6	81.8	67.4	7.28	9.81	4.00	106.46	129½	95¼	124¾	3.2	13.2
Chase National Bank	30.7	80.8	68.8	5.09	3.01	1.40	40.69	46⅞	34¾	45⅝	3.1	15.2
Chemical Bank & Trust Co.	53.3	84.0	60.6	2.81	5.86	1.80	46.66	67	44	64¾	2.7	11.0
Comm. Nat. Bank & Trust Co.	65.5	82.9	82.0	3.61	4.36	1.60	54.05	53½	44	51	3.1	11.7
Continental Bank & Trust Co.	123.8	80.8	44.0	2.14	2.01	.80	25.42	27	17½	21½	3.7	10.7
Corn Exch. Bank & Trust Co.	94.1	77.7	89.0	3.56	3.96	2.40	52.73	63¾	43⅝	62½	3.8	15.7
Empire Trust Co.	58.6	80.8	72.7	7.06	8.04	3.00	103.46	100	70	100	3.0	12.4
First National Bank	17.7	86.9	76.3	106.16	124.27	80.00	1320.47	1945	1450	1925	4.1	15.5
Guaranty Trust Co.	34.2	82.7	67.4	21.83	24.03	12.00	344.79	397	298	389	3.0	16.2
Irving Trust Co.	45.2	80.5	76.6	.90	1.07	.70	22.12	19¾	12½	19	3.6	17.7
Manufacturers Trust Co.	116.0	80.9	73.1	4.37	4.86	2.00	54.06	66½	43½	63¼	3.1	13.0
Marine Midland Corp.	97.9(c)	82.1(c)	70.6(c)	.86	.91	.16	12.37(c)	9⅞	6⅛	9⅛	1.7	10.0
J. P. Morgan & Co.	1.0	81.5	77.2	21.66	26.57	6.50	229.09	320	210	310	2.0	11.6
National City Bank	47.9	79.3	63.8	6.28(a)	3.98	1.00	38.42	49½	31¾	49	2.0	12.3
New York Trust Co.	44.5	83.3	66.0	6.14	6.89	3.50	91.68	114¼	86¾	113¼	3.0	16.4
Public Nat. Bank & Trust Co.	183.6	81.1	71.0	3.01	4.06	1.36	49.00	54¼	31⅛	53½	2.5	13.1
United States Trust Co.	—2.2	81.2	71.5	82.72	80.06	70.00	1530.33	1560	1260	1540	4.5	19.2
Leading Out-of-Town Banks:												
Bank of Amer. (San Fran.)	180.6(c)	81.5(c)	66.8(c)	2.43(f)	4.02(f)	1.44(f)	25.90(c)	64½	36½	44	3.2	10.9
First National Bank (Boston)	75.0	74.6	64.6	2.90	3.14	2.00	40.85	59¼	46¾	58¼	3.4	18.5
First Nat. Bank (Chicago)	79.1(c)	80.9(c)	72.0(c)	27.27	29.31	8.00	212.07(c)	343	220	341	2.3	11.6
Harris Tr. & Sav. (Chicago)	63.7	76.8	53.7	19.07(b)	22.98	9.00	275.54	485	370	390	2.3	17.0
Penn. Co. for Ins. etc. (Phila.)	74.5	74.2	72.0	2.21	2.40	1.60	29.69	45¼	33½	44	3.6	18.3

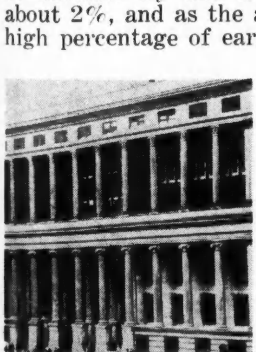
*—To and including October 20.
(a)—Includes recoveries from surplus of $229 mill. or $3.70 a share.
(b)—Adjusted for 33⅓% stock dividend in December 1944.
(c)—As of June 30, 1945.
(f)—Adjusted to reflect stock div. in June of 2 extra shares for every 3 shares held; actual figures were 1943 Net $4.04, 1944 Net $6.70 and 1944 Dividend $2.40.

an article of this character to a limited circle, and our discussion accordingly will focus upon the status and prospects of a few leading institutions, principally in New York City. In this great money center, deposits have accumulated on a huge scale during the war, but their turnover has been far more rapid than in other parts of the country, the annual rate during June (except for interbank deposits) reaching 22, or just about double that of 333 other cities reporting a turnover rate of 11.3. As the policy of the big money market banks has been to keep every available dollar, after allowance for reserve restrictions, steadily at work earning interest, new loans have been made as fast as the old ones matured. The efficiency of these banks in handling the vast acceleration of operations with depleted staffs during the war has been amazing, and has contributed importantly to the excellent earnings record they have achieved.

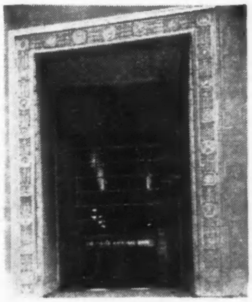
Other factors contributing to their prosperity have been a broad expansion in special charges for different services rendered, covering trust and custody accounts, checking privileges and a long list of other conveniences, and gone for good are the old days when a bank paid interest to attract depositors. The broad upsurge in security prices also has brought millions of profits to the banks, and by gradual charge-offs of formerly incurred bad debts, it has become less necessary to charge against earnings substantial reserves for their elimination. Furthermore, the recent period of economic prosperity has resulted in the recovery of important sums previously considered a dead loss.

Earning Assets

Main income sources of the banks of course are that proportion of their deposits invested in loans or securities, otherwise termed earning assets, plus the bank's own capital funds gainfully employed. In order to finance its wartime requirements at low rates, the Government, aside from non-marketable issues like U. S. Savings Bonds, has issued \$50.5 billion of marketable bonds, of which about \$11.5 billion are of relatively short maturity, some yielding as low as ⅞ of 1%, and the latter are held mainly by banks because of their near term retirement dates. As the longer term issues carry a higher yield, they are more tempting as investments and individual bank policies differ as to the proportions of Government obligations which should be carried. By and large, the average return is about 2%, and as the accompanying table shows, a high percentage of earning assets of banks are invested now in Government securities.



With VJ-Day come and gone, it is interesting to note the progress of the New York Banks during the year to date and to study potential changes which may occur under the impact of transition. Taking the 20 banks cited, deposits on September 29 had dipped about 7% below the level in June but were still 9% above the figures of a year ago. More important, these banks during the past year have raised their surplus and undivided profits by 10% after allowance for special reserves of one kind or another, thus spelling a significant expansion of capital funds and enhancing potentials for more liberal dividend policies.



Chances are that deposits may decline still further in coming weeks, but after the approaching Victory Loan drive, the trend will be strongly upward again, doubtless establishing new highs. Settlement of Government contracts, however, and major adjustments of tax refunds, will result in heavy withdrawals, and in any event the complexities of reconversion are likely to cause important shifts in deposits for some months ahead, particularly in New York, although over a longer term balances in this city should settle down to an average closely approximate to those current. Only the same forces that create deposits can diminish them, and as there is no prospect of a decline in the Government debt, deposits are bound to remain high unless some unlikely wave of public hoarding shows its head. And as industry gets into its peacetime stride, corporate borrowing will expand, with rates more profitable to the banks than they have experienced in extending accommodations to the Federal borrowers. Broadly viewed, therefore, the prospects for continued good earnings are good.

Foreign Business Potentials

In the near future, expansion in foreign trade will profitably engage the banking facilities of the leading New York institutions, for they will be called upon to extend loans to foreign borrowers, supply credit to finance the export of capital goods, deal in foreign exchange, and handle shipping documents, to mention just a few of the services from which income is certain to be derived. At the end of 1944, gold and dollar balances held by foreign countries was estimated at about \$20 billion, most of which will become increasingly active as the supply of available goods tends to mount. All of this kind of business is highly desirable, netting a good profit, and as New York banks are thoroughly experienced in it, they are likely to secure a major share.

Among the larger New York banks which have already benefitted their shareholders by stock dividends, increased distributions or subscription privileges are the Bankers Trust Co., Commercial National Bank and Trust Co., Manufacturers Trust Co., and National City Bank, while further advantages of this sort are likely to accrue to shareholders in these and other strong institutions in the not distant future.

To examine an individual situation, take the Bankers Trust Co., with capital stock of \$30 million, surplus of \$80 million and undivided profits of \$31.8 million. Net earnings in 1944 amounted to \$5.16 per share, of which all but *(Please turn to page 168)*

Tabulated herewith are over a score of companies with holdings of cash and marketable securities exceeding total liabilities, together with brief appraisals of some of the strongest and most promising

Investment Opportunities In Financially Strong Companies

BY H. F. TRAVIS

ONE of the most salient features of the over-all industrial picture at this time is the strongly fortified financial position of a large majority of the nation's leading corporations. In many instances corporate working capital is larger than at any previous time and liquidity is outstanding.

To the common stock investor, this evidence of financial impregnability is very significant—on several counts. Primarily, of course, a strong financial position creates confidence in the minds of stockholders, who infer correctly that the management is efficiently discharging its responsibilities and husbanding the company's resources. But in the present setting, financial strength deserves special attention because it has a very decided bearing on a company's postwar prospects and policies. Well "heeled" with cash, or the equivalent, a company is prepared to carry out plans for expansion, purchase new equipment, enlarge inventories, redeem bonds or preferred stock, and otherwise undertake necessary capital outlays without recourse to additional financing. New financing in itself of course is not necessarily a bearish development, but it frequently results in at least a temporary dilution of stockholders' equity and earnings.

A strong cash position also permits greater latitude in dealing generously with stockholders in the matter of dividends. During the war, however, this did not always hold true. Cash had to be preserved against the ever-present possibility of unforeseen contingencies and large cash reserves were, in many instances, built up in anticipation of heavy tax liabilities. These factors alone made desirable a policy of financial liquidity that now stands in good stead—with industry facing reconversion and postwar expansion.

Other Considerations

Financial strength is a sound primary basis for stock selection, but should not be the sole consideration. It should be supported also by such criterions as earning power and future potentials, in short, by all the factors normally entering into the choice of common stock investments. Large cash assets, for example, may be illusory in the sense of immediately foreshadowing higher dividends. Their appearance on a balance sheet might be only temporary, while actually they were already earmarked for other uses. The weight of all determining factors is the final basis upon which selection should be predicated.

Accompanying this discussion is a list of over a score of companies which have cash and marketable securities in excess of all current liabilities. This list could be appreciably enlarged but in this instance it has been limited to companies which have issued balance sheets dated later than December 31, 1944. Without prejudice to others, some of these companies have been singled out here for more detailed discussion.

CELANESE CORP of AMERICA: The balance sheet of Celanese Corp. as of June 30, disclosed a ratio of current assets to current liabilities of better than 8 to 1, while cash and Government securities alone were in excess of $39 million, and more than five times total current liabilities of $6.8 million. The company is not only the leading domestic unit in the production of cellulose acetate rayon, but is becoming an increasingly important factor in the plastics field. Recently Celanese announced the commercial production of a new plastic, Forticel, claimed to have qualities and special mechanical and physical properties giving it an advantage over other plastic materials in many commercial applications. Rated productive capacity is 80 million pounds of rayon yarn and five million pounds of rayon fibre annually, based on most recent figures.

Progress Marked

Under the direction of aggressive management, the company has progressed steadily to a strongly entrenched trade position, which will be further fortified by the extensive expansion program now under way. Funds realized from the recent sale of $40 million debenture 3's due 1965 and 157,945 additional shares of common stock will be used to retire $34,289,000 debenture 3½'s and to provide funds for additional plant facilities involving an outlay of $25 million. In addition to the new debentures, capitalization consists of 350,000 shares $4.75 first preferred, 148,179 shares $7 second preferred and 1,737,393 shares of common. The sizeable amount of prior issues has the effect of imparting considerable leverage to the common shares. The probabilities are that company's sales this year will again set an all-time peak, although earnings on the larger number of common shares may show no appreciable gain over the $2.87 reported for 1944. The 50-cent quarterly dividend may be regarded as secure and at recent levels around 50, a yield of 4 per cent is afforded. Offering an equity in a strong "growth" company, Celanese common stock has well founded promise.

ARMSTRONG CORK: On June 30, last, Armstrong Cork had cash or the equivalent of more than $10 million while total current liabilities were less than $8 million. Subsequently cash position has been further strengthened through the sale and exchange of 161,522 shares of new $3.75 preferred stock. The outstanding 52,994 shares of 4% preferred stock will be retired. At the present time the company's program calls for the expenditure of $6.5 million for new plants, equipment and improvements.

In addition to an extensive line of floor coverings, Armstrong manufactures glass containers, closures, insulating materials and other cork products. The revival of large scale home building and consumer expenditures for repairs and modernization will be of marked benefit to the company, pointing to higher earnings and dividends. During the war, the latter were limited by difficulties in obtaining adequate raw materials and rising costs not compensated for by higher price levels. Net income in 1944 was equal to $2.84 a share on 1,410,866 common shares, while in the first half of 1945 the common showed earnings of $1.26 a share compared with $1.37 a year ago. Income and excess profits taxes in the first six months this year were equal to nearly $2 a share. Increase in the amount of preferred shares outstanding will increase dividend requirements from 15 cents per share of common to 43 cents which, however, should be readily absorbed by increased facilities and larger sales volume. At 55, favorable prospects for the company are finding market recognition; yield on the basis of a $1.50 dividend is not high, but the shares have definite longer term appeal.

INTERNATIONAL SHOE: Credited with accounting for 10 per cent of total industry output, International is the nation's largest manufacturer of shoes. V-J Day found upwards of 36 per cent of the company's dollar volume accounted for by military sales. Since that time practically all military orders have been cancelled. Shoe rationing was discontinued on October 31, last, and potential dealer and consumer demand is expected to call for capacity operations for some months ahead. Right now the company is experiencing difficulty in recruiting new workers but this should prove more or less temporary. Profit margins on rationed types of shoes are narrower than on the non-rationed and military types. In the future, margin discrepancies will be partially offset by enlarged volume, but some upward adjustment in prices is called for. Company's post-war plans include the opening of seven new plants. Leather requirements will be substantially met by company-owned tanneries able to supply about 70 per cent of normal requirements.

Strong Cash Position

At the end of last May, finances were exceptionally strong. Cash and Government securities exceeded $23 million as compared with total current liabilities of $6.8 million, and the ratio of all current assets to current liabilities stood at better than 10 to 1. Capitalization consists solely of 3,340,600 shares. With sales at a record high last year, earnings were equal to $1.78 a share and dividends totalling $1.80 a share were paid. In the six-months' period ended May 30, last, net was equal to 88 cents a share against 92 cents in the same period of 1944. Excess profits taxes in the current period were equal to 70 cents a share. Notwithstanding the likelihood that earnings for the fiscal year ended Nov. 30, next will again fail to cover fully dividends of 45 cents quarterly, company's finances warrant the strong belief that the present rate will be continued. At 55, the shares appear amply priced in relation to nearterm earnings and prospects but longer range potentialities are undeniably promising.

Representative Companies with Strong Cash Positions

	in millions of $ — Cash Assets	Current Liabilities	Net Current Assets	Net Current Assets* Per Share	Recent Price
American Smelting & Refining	$48.797	$33.675	$85.547	$16.23	59
Armstrong Cork	10.243	7.661	29.078	16.86	54
Celanese	39.054	6.805	50.127	None Avail.	50
Champion Paper & Fibre	13.336	4.552	20.904	None Avail.	43
Colgate-Palmolive-Peet	24.306	6.050	45.614	16.89	40
Columbian Carbon	8.804	3.881	10.283	16.76	38
Congoleum Nairn	10.140	4.819	16.763	13.48	35
Distillers-Seagrams	65.153	50.624	111.582	27.87	75
duPont	172.084	63.741	247.287	7.06	183
Great Atlantic & Pacific Tea	82.515	54.516	140.670	55.02	111
Hercules Powder	29.241	18.767	34.697	19.04	110
International Nickel	41.964	25.361	114.031	5.91	35
International Shoe	23.164	6.791	64.080	19.18	45
Jewel Tea	8.283	4.125	10.548	9.90	42
Macy, R. H.	19.292	12.578	43.844	6.50	44
Monsanto Chemical	13.495	7.242	29.861	6.99	105
Motor Wheel	7.312	3.738	11.690	13.83	31
National Lead	32.286	23.591	45.355	3.43	30
Pepperell Manufacturing	11.673	7.849	14.658	30.22	46
Procter & Gamble	39.085	15.675	92.521	14.10	65
Quaker Oats	28.311	12.477	41.564	12.95	98
U. S. Gypsum	33.880	8.078	33.881	26.45	104

*—After prior obligations.

COLGATE-PALMOLIVE-PEET: Sales of Colgate-Palmolive-Peet in the first half of the current year expanded $3.3 million, but increased costs and taxes absorbed most of this gain with the result that earnings for the common stock recorded little change at $1.49 a share vs. $1.46 a year ago. The June balance sheet was impressive. Cash and Government securities were in excess of $24 million, while current liabilities were only slightly over $6 million. The current ratio was 8.6 to 1. Recently the company exchanged 125,000 shares of $4.25 preferred for a similar number of $3.50 preferred.

In recent years Colgate has made significant competitive gains and expansion in sales might have been even more impressive had it not been for the restrictions imposed by inadequate supply of fats and other important raw materials. Severe shortages still exist in these materials and only moderate immediate relief is expected by the resumption of shipments of coconut oil from the Philippines. On the other hand

earnings next year should benefit from the probable repeal of excess profits taxes. Total income and excess profits taxes paid by the company in 1944 were approximately $4.65 a share. With earnings this year promising to run better than $3 a share, a year-end extra dividend is likely, possibly 75 cents. At 40, the shares are selling close to their recent high but would appear to offer sound value on the basis of their longer term appeal.

U. S. GYPSUM: A revival in the building and construction industries, which may attain boom proportions, appears to be a practical certainty and should get under way in earnest next year. Among companies manufacturing essential building materials, U. S. Gypsum is a leader and may be expected to benefit accordingly. The company's line of products is an extensive one and, in addition to gypsum products such as board, partitions, tile, roofing, insulation and flooring, includes asbestos shingles, paints and decorating materials. In its field, the company's record has been outstanding and profits were shown even in the depression years of 1932 and 1933. However, because of high taxes and restricted selling prices, earnings in recent years have not equalled the pre-war level of 1939 when $5.71 a share was earned on the common stock. Net in 1944 was equal to $3.07 a share, comparing with $3.75 the previous year. Some improvement this year seems likely, although modest in extent. Net for the six months to June 30, last, was equal to $1.74 a share for the 1,197,512 common shares outstanding, against $1.58 a year ago.

Finances Impressive

Finances present an impressive picture. Cash alone at the end of June of some $13.5 million compared with all current liabilities of about $8 million. Cash and Government securities amounted to nearly $34 million. Ahead of the common are 78,222 shares ($100 par) 7% preferred stock. There is no funded debt. There is no gainsaying that the market price for the common stock, at 104, places a high premium on the company's strong trade position and probable earnings over the nearer term; rather it discounts longer range potentials. The yield on the $2 dividend is low. There are, however, dynamic factors in the outlook which would warrant consideration for the issue during periods of price reaction.

MONSANTO CHEMICAL: With $13.4 million in cash and Government securities, and with current liabilities of only little more than $7 million, the financial position of Monsanto Chemical is undeniably sound. But the company has announced an extensive program of post-war plant expansion involving an outlay of $48 million, and some new financing would seem to be foreshadowed. Some measure of this program is obtained from the fact that total plant account at the present time stands at $68 million.

The progress shown by Monsanto in recent years has been outstanding, even for an industry for which progress is a well recognized characteristic. Prior to the war, company's earnings were increasing at a rate greater than that for the chemical industry as a whole, and while the war arrested this rate of growth, a comparable showing should be made again under peacetime conditions. Relief from the burden of excess profits taxes next year, alone, would contribute substantially to earnings. In 1944 the company's provision for excess profits taxes was $8.5 million dollars, while net income amounted to $5.1 million.

The company's chemical products, numbering some 600, are widely diversified and used extensively in many industries. Research activities are among the most productive in the industry, the company introducing 62 new chemical products in 1944. In the first half of this year sales registered a gain of 23 per cent, more than sufficient to offset some slowing up in recent months. It has been officially estimated that sales for this year will surpass the 1944 figure of $87 million and set a new high record. With $2.05 a share earned for the common stock in the first six months, it is probable also that 1945 earnings will top last year's when $3.30 was shown. Dividend payments in 1944 amounted to $2.25 a share and current disbursements should be the same, although directors may elect to act conservatively in the matter of dividends in order to prepare for the expansion program. Ahead of the common stock are two series of preferred shares aggregating 210,000 shares, and additional series may be issued to raise needed funds. Prevailing price for the common, around 105, can hardly be justified by immediate earnings and dividend prospects; rather, current market valuation takes into consideration the convincing evidence of corporate vitality and aggressiveness and the probability that these qualities will be translated into future growth and attendant earnings expansion.

NATIONAL LEAD: Company is the largest manufacturer of products in which lead forms the basic element. These products include a wide line of painters' materials, battery lead, printers' materials and lead oxides. Of steadily increasing importance has been the company's development of titanium for use in the manufacture of paints, ceramics and other products. Normally about 50 per cent of National Lead's products are sold to the building and building maintenance trades. The automobile industry is the second largest consumer, accounting for about 20 percent of sales. Both of these major industries have several years of sustained operations ahead of them, a potential which should in turn be substantially reflected in sales and earnings of National Lead. The company is without reconversion problems and post-war earnings promise to compare favorably with those in recent war years.

Sales in the first half of the current year were running 12 per cent ahead of 1944, while net earnings in the same period were equal to 79 cents a share for the common stock, a gain of 24 per cent over the previous year. The relatively better showing made in net income is partially accounted for by the fact that no appropriations were made this year for contingencies, or for reserves against foreign investments.

A strong financial posi- (*Please turn to page* 172)

Corporate Earnings Trends In Transition

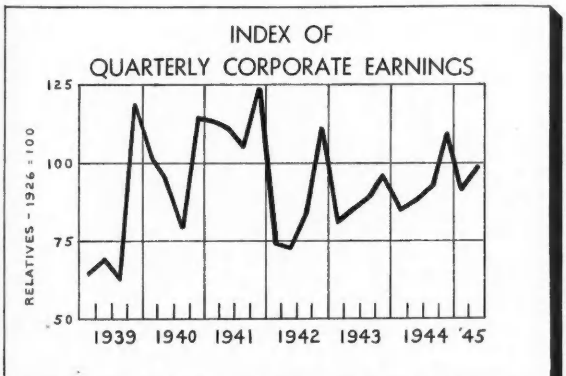
What Third Quarter Reports Reveal

BY WARD GATES

MORE than ordinary interest has been displayed in third quarter earnings reports piling up during the past two weeks because, with both V days now marked off the calendar, general readjustment of industrial operating schedules has become intense. The biggest decline in unfilled orders and the most abrupt interruption of production in history naturally created almost chaotic conditions for some concerns and, as might be expected, an anticipated temporary dip in net earnings has been noticeable in many instances. On the other hand, reported net for the quarter has held up exceptionally well for other concerns, for one reason or another.

It is always necessary to take quarterly earnings with a grain of salt, for varying bookkeeping policies, inventory methods, renegotiation and tax adjustments so distort many of them that they require unusual scrutiny if the results as reported are to be accepted as a true yardstick of company progress. Unfortunately, essential details to clarify the picture in most instances are not available, although in some cases managements do take pains to explain matters more completely. During the first three quarters of the year, especially in the current year, interim earnings are by no means to be taken as a reliable index for full year expectancies, for in the final quarter all kinds of entries may be made before annual net becomes firmly established. In 1945, as suggested, this factor will be magnified by the abnormal year-end conditions prevailing during transition, and which as a matter of fact began to find expression only during the last six weeks of the third quarter period; net earnings for the latter are of a hybrid variety at best, reflecting neither conditions wholly similar to those in the preceding quarter nor those certain to prevail under complete transitional influences.

On appended tables are listed third quarter earnings per share of a number of representative concerns, along with comparative figures for the preceding quarter and those reported for the third quarter of 1944. While the 62 concerns tabulated constitute only a fraction of our industrial roster, they have been selected to cover a broad range of enterprises and in some respects their figures give clues to what may be expected when the list eventually becomes more complete. In the group under discussion, 43 concerns report an average decline of about 29% in net earnings compared with the previous quarter, the maximum individual percentage dip being 75%. As against the relative period in 1944, 34 concerns disclose an average drop of 28%. When it comes to reported gains, 15 concerns showed an average improvement of 10% over the preceding quarter and 19 others an average gain of 18% compared with the 1944 third quarter. Half a dozen or so concerns showed such slight changes that their figures were discarded in the reckoning.



General Trend Downwards

Highlighting the general downward trend in earnings, just about 70% of the concerns under discussion reported a measurable dip, offset by only a handful which maintained stability and perhaps 25% which registered an improvement. While these percentages are likely to undergo considerable revision in coming weeks when applied to a much longer list of concerns, the preponderance of evidence suggests that even then the majority of concerns probably will report a shrinkage of net to their shareholders for the third quarter, and if so, the circumstance will occasion no surprise. In consequence of the newly developed downward trend, more optimistic earnings reports for many concerns issued during the first half of the year serve to support total net for nine months at an average level fairly satisfactory, and while the impact of more drastic declines may be felt when last quarter reports become available, tax cushions, release of reserves and other adjustments are likely to minimize the shrinkage for the full year. Industry never was better fortified financially to carry on through the temporary ordeal of transition and is fully prepared to fall back upon a number of protective devices carefully provided in anticipation of the current emergency; just when and how these aids are utilized will be watched with increasing interest.

Third quarter earnings of several large steel makers have been reported, that of "Big Steel" naturally assuming major importance. U. S. Steel Corporation net for the period dropped to 61 cents a share compared with $1.20 per share in the preceding quarter and $1.22 in the third quarter of 1944. Total net after preferred dividends amounted to $11.6 million, including a net Federal tax credit of $2 million, as against $16.9 million earned in the relative quar-

ter of last year. Sales in the current third quarter were substantially lower than in the 1944 period, dropping by $137 million to a level of about $385 million, termination of military contracts of course accounting for the shrinkage. While the percentage decline in volume was about 26%, costs dipped only 23% and charges of about $36 million for depreciation and depletion showed practically no decline from those in the third quarter of the preceding year. The net result was a deficit of $3,383,751 last quarter after payment of preferred and common dividends, although for the nine months period the deficit is reduced to about $1.2 million.

Encouraging Aspects

More encouraging aspects of the announcements from U. S. Steel are that net current assets during the 12 months ended September 30, 1945 have soared to over $628 million, the increase over the relative 1944 period amounting to about $42 million. Thus it would appear that deficits which might seem large to smaller concerns tend to lose significance for a financial giant like Big Steel and that dividends could be paid comfortably until business again picks up. Supporting this premise is the fact that the company's order backlog at the end of the third quarter was equal to four months for the company's products. Production, which recently had hit a seven-year low of 51.9% of capacity has since risen to 70% and currently the trend is sharply upward. Still to be solved are pressing problems involving wages and price ceilings, with the steel companies particularly subjected to the squeeze, but with a promising volume and a sizeable tax cushion, earnings of this industry leader are not likely to remain long in the current rather unimpressive rut.

While Bethlehem Steel Co. showed a net profit of $7,761,667, equal after preferred dividends to $2.05 per share of common, this was achieved only by resort to a Federal tax credit of $34.9 million. Without this timely aid, a deficit of $27.2 million for the third quarter would have changed the picture radically.

Not many months ago Congress wisely granted corporations the privilege of accelerated amortization of certified war production facilities, and by taking advantage of this opportunity Bethlehem was able to enhance net per share by about 33 cents, the balance of the actual deficit being absorbed by other tax adjustments. For the September quarter in 1944, net per share was reported as $1.67 after charges of only $13 million for depreciation and amortization compared with $49.8 million in 1945. Impact of contract terminations upon Bethlehem during the third quarter was severe, due to its dual functions as a maker of steel and a builder of ships. Unfilled orders during the period fell from $995 million to $546 million, but the latter are described as being "definitely live" and Bethlehem's confidence in large volume prospects is shown by its expansion program involving outlays of some $86 million. Wage disputes have reached an acute stage and until they are settled, earnings are likely to be erratic, but with assured relief from EPT, this concern is likely to produce satisfactory net results in the future.

Among the smaller steel concerns, earnings trends show considerable variation. Colorado Fuel & Iron, for example, reports net per share for the quarter of only 7 cents, less than a tenth of the 75 cents per share earned in the corresponding quarter of 1944 and a sharp drop from the reported net of 24 cents for the June quarter in 1945. Republic Steel Corporation also reports a decline, net per share dipping to 21 cents a share against 30 cents for the September 1944 quarter. This concern claims that under present price ceilings, many of its products have had to be sold at an actual loss, emphasizing more than ever the need for upping prices if wage demands are to be met. Continental Steel, however, improved its net showing during the quarter by raising per share earnings to 69 cents compared with 60 cents for the relative 1944 period, but against $1.04 earned in the June 1945 quarter the showing is far less favorable. Another steel company to report a shrinkage in net is Acme Steel with 46 cents per share, down 15 cents compared with the June quarter and 4 cents below the third quarter of 1944.

In the electrical manufacturing field, General Electric Co. made a slight gain of 2 cents per share compared with the September quarter in 1944, but against the showing for the second quarter of the current year a dip of 7 cents per share occurred. On a basis of nine months, GE profits available for dividends rose by about 14% during 1945 period over 1944. As cancellations of war orders caused a drop of 6% in billings during the first nine months of 1945 and other income shrank, total income for the period fell by about $45 million, but taxes also declined by almost $40 million and reserves deducted for contingencies were sliced by $9 million, the net result being a gain for 1945. This showing strongly points to the two-way impact of EPT and of elastic policies

Comparative Earnings of Leading Companies

	Earned Per Common Share —For Three Months Ended— 9/30/45	9/30/44	6/30/45
Air Reduction Co.	$ .41	$ .51	$ .50
American Agricultural Chem.	.31	.25	1.19
American Chicle Co.	1.65	1.62	1.65
Blaw Knox	.47	.39	.52
Freeport Sulphur	1.24	.78	.95
General Precision Equipment	.59	.37	.57
Kayser, Julius	.38	.55	1.38
McKesson & Robbins	.53	.55	.73
Phillips Petroleum	.88	1.22	1.10
Pittsburgh Plate Glass	1.32	1.35	1.64
Plymouth Oil	.43	.47	.48
Procter & Gamble	.58	.73	.73
Savage Arms	.12	.07	.33
Texas Pacific Coal & Oil	.51	.72	.40
Yale & Towne Mfg.	.41	.59	.58
Butler Bros.	.23	.28	.33
Colorado Fuel & Iron	.07	.75	.24
Container Corp. of America	.51	.58	.67
Hanna (M. A.)	1.21	1.09	1.03
Lehn & Fink Prod.	.16	.14	.36
Loose-Wiles Biscuit	1.27	1.96	1.15
Remington Rand	.60	.60	.65
Wrigley, Jr. (Wm.)	.73	.80	.82
American Brake Shoe	.45	.58	.66
Climax Molybdenum	.30	1.11	.74
National Biscuit	.29	.32	.37
Texas Gulf Sulphur	.70	.68	.67
Hercules Powder	.81	.92	.99
Acme Steel	.46	.50	.61
Continental Steel	.69	.60	1.04
Cream of Wheat	.10	.19	.15
Eaton Mfg.	.69	1.39	1.37

governing deductible reserves in enabling the company to show 40 cents per share earned in the quarter, just the amount distributed in dividends. With working capital of peak proportions, GE dividends are likely to remain fairly stable until the company gets into full stride in meeting a huge pent-up demand for its diverse products, notwithstanding prospective costs for expanding facilities which may ultimately reach $280 million.

The automobile manufacturers, as might be expected, find reconversion to be an expensive process as their facilities have to be overhauled in a big way before resumption of civilian production can adequately restore earnings. If net remains in the black for several months after V-J day, it will be quite an achievement for many of them. Studebaker Corporation, however, reports net per share of 26 cents during the third quarter, compared with 52 cents per share for the third quarter of 1944, and for nine months the relative net showings are $1 and $1.14 respectively. During this period sales dropped from $317 million to $198 million, by $119 million, but the shrinkage in operating income was held to about $6.4 million. Taxes declined by about $4.25 million, leaving net at a very satisfactory figure of $2.3 million.

While income for both 1944 and 1945 is still subject to renegotiation, in the opinion of the management no major changes in the balance sheet are likely to result. Compared with a year ago, earned surplus of Studebaker has risen by about $2.3 million to an all-time peak of $16.6 million and through sale of $10.5 million debentures, working capital during the current year has been boosted to almost $37 million, the present current ratio being very comfortable at 4.8 to 1. Unless labor difficulties unduly prolong reconversion, Studebaker before many months will be in full swing to meet a flood of regular business and has ample resources to carry through the difficult period ahead. In common with most industrial concerns, its net earnings for a while will be erratic and in the longer term will depend upon efficiency in meeting the cost-price squeeze.

Food Industry

Some manufacturers of food products appear to have suffered more of a decline in quarterly earnings than might be surmised in view of their relative freedom from reconversion difficulties and the world wide demand for eatables but as always happens, there are exceptions to this trend. National Biscuit Co. net for the third quarter dipped only modestly of 29 cents per share from 32 cents in the corresponding quarter of the previous year, but its competitor, Loose Wiles Biscuit Co., shows only $1.27 per share against a relative figure of $1.96. Penick & Ford reports a per share net of 94 cents against 76 cents earned in the 1944 period, and Standard Brands shows a gain from 61 cents a share to 64 cents in comparing the two quarters. Cream of Wheat reported a still greater percentage drop than any of the foregoing concerns, as net for the September 1945 quarter is given as 10 cents per share against 19 cents earned in the 1944 quarter. Best Foods did a bit better in holding net last quarter to 42 cents per share, exactly what it reported for the September 1944 quarter.

Two producers of sulphur did well during the third quarter, Freeport Sulphur showing an impressive gain with a net per share of $1.24 for 1945 against 78 cents earned in the third quarter of 1944. Quarterly net of Texas Gulf Sulphur also shows an upward trend in reaching 70 cents per share in 1945 compared with 68 cents earned in the 1944 quarter. Heavy demand from the rubber manufacturers indubitably has sustained volume and profits of the sulphur producers at a high level and little shrinkage is likely to occur during near term months. Another producer of raw materials, however, Climax Molybdenum, has fared less well, for net reported by this concern has nosedived to 30 cents per share during the September 1945 quarter compared with $1.11 per share earned in the relative period last year. Military demand for molybdenum naturally has experienced a drastic decline.

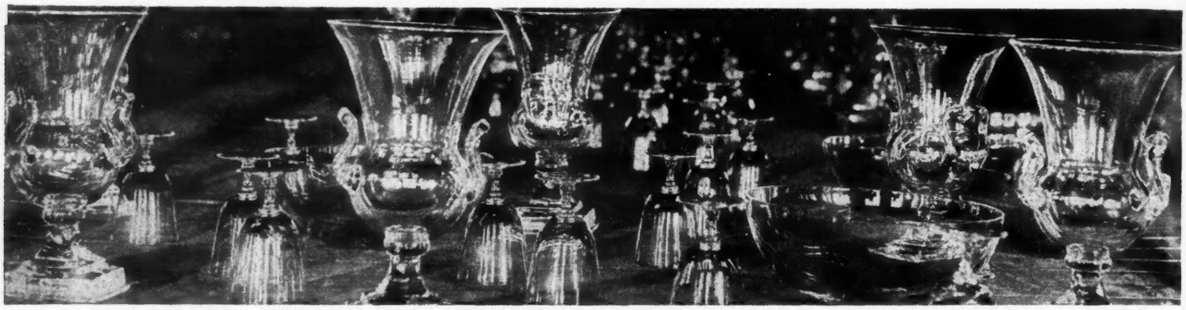
Comparative Earnings of Leading Companies

	Earned Per Common Share —For Three Months Ended—		
	9/30/45	9/30/44	6/30/45
Industrial Rayon	$ .46	$ .54	$ .46
Best Foods	.42	.42	.48
Howe Sound	.55	.30	.51
Johns-Manville	1.13	1.43	1.72
Mathieson Alkali	.30	.25	.34
Underwood Corp.	.77	.79	.70
Bethlehem Steel	1.67	2.05	2.15
C. I. T. Financial Corp.	.38	.49	.62
National Acme	.56	.71	.89
National Cash Register	.39	.49	.48
National Gypsum	.16	.10	.12
Shell Union Oil	.64	.60	.63
Standard Brands	.64	.61	.64
Westinghouse Air Brake	.28	.47	.38
American Rolling Mill	.33	.14	.54
Budd Wheel	.13	.31	.44
Lambert Company	.65	.73	.83
Lone Star Cement	.71	.58	.62
Republic Steel	.21	.30	.49
Ruberoid	.46	.47	.47
U. S. Hoffman Machinery	.29	.52	.67
Hazel-Atlas Glass	1.81	1.34	1.35
Newport Industries	.25	.17	.24
Penick & Ford	.94	.76	.77
Studebaker	.26	.52	.31
Union Carbide & Carbon	1.01	1.00	1.08
General Electric	.40	.38	.45
U. S. Steel	.61	1.22	1.20
duPont	1.41	1.97	1.41
Standard Oil of California	1.15	.86	1.13

Reports from the producers and processors of oil disclose a mixed trend as to net earnings, based on the few records thus far available. Standard Oil of California offers much encouragement to its shareholders in reporting net per share of $1.15 compared with $1.13 in the June quarter of this year and 86 cents per share in the third quarter of last year. Shell Union Oil also shows an improvement in net to 64 cents per share, a slight gain over the preceding period and 4 cents better than for the same period in 1944. But contrasting with these gains is a dip in net reported by Phillips Petroleum, the relative per share net for the 1945 and 1944 quarters being 88 cents and $1.22 respectively.

Quarterly net of Johns-Manville shrank to $1.13 per share in the September period against $1.72 reported for the preceding quarter and $1.43 earned in the third quarter of *(Please turn to page 176)*

The Fascinating Story of



CORNING GLASS — *An Investment Audit*

BY J. S. CLIFFORD

LISTING of Corning Glass Works shares on the New York Stock Exchange a few months ago did more than give investors a first chance to add the stock of this old company to their portfolios, for along with the opportunity was unveiled a mass of facts about the concern, previously unavailable. Public knowledge of the company's products and high repute had been firmly established, but with ownership confined mainly to one family, statistical information was of no concern to outsiders. Currently, study of the figures and progressive growth of Corning has become more than ever interesting, for investor appraisal of the stock has pushed its price up until the price-earnings ratio has soared to 45 to 1, a relationship only explainable by above-average potentials.

Way back in 1868, over three-quarters of a century ago, a Massachusetts glassmaker named Amory Houghton pulled up stakes to re-establish his business in Brooklyn, but, finding conditions there not altogether to his liking, soon transferred his family and equipment to the small village of Corning, N. Y. Here, with the aid of his two sons, Mr. Houghton started to improve upon the traditional art of glass making which for 3000 years previously had remained practically static, and the results were so promising that by 1875, Corning Glass Co. was incorporated with a capital of $50,000. Reputation of the concern for technical skill in its particular field leaped high and fast when it produced railway signal glass that retained its warning color under adverse weather conditions, an item that found widespread acceptance among the transportation companies. Not many years later, a stranger by name of Thomas A. Edison requested Corning to make the first electric light bulb, the successful production of which led to what was to become a major item in the company's sales right up to the present time.

From earliest beginnings, Corning policy has veered away from the highly competitive fields of flat glass and containers, concentrating all efforts to produce glass with new and better characteristics than others and, by the aid of specially-designed machinery, to lower production costs. As progress along these lines required the enlistment of special scientific personnel for development of new processes and machines, Corning became a pioneer in industrial research, and through decades has continued to spend substantial sums in an endless search for new discoveries which would broaden the use and application of glass. The third generation of Houghtons to carry on the business, Alanson B. (later to become an Ambassador) and Arthur A. Houghton not only had technical talent themselves but retained eminent scientists to work in their well-equipped laboratories.

As an outcome of these policies, the railroads adopted Corning glass as standard signal equipment, patents were issued for a tube-drawing machine and a heat-resisting glass to become famous under the trademark Pyrex, an item which opened up brand new markets in the households and laboratories throughout the country. But aid to industry rather than to housewives was the prime Corning aim, and its inventive genius found crowning expression in a remarkable machine capable of producing glass bulbs for electric lights at the aston-

Balance Sheet Data as of December 31, 1944

ASSETS	
Cash	3.835
Marketable securities	4.033
Receivables, net	3.875
Inventories, net	6.426
TOTAL CURRENT ASSETS	18.169
Plant and equipment	16.730
Less depreciation	7.699
Net property	9.031
Other assets	7.459
TOTAL ASSETS	34.659
LIABILITIES	
Accounts payable and accruals	2.860
Reserve for taxes	7.163
TOTAL CURRENT LIABILITIES	10.023
Minority interest	.452
Short term debt	.085
Long term debt	1.971
Reserves	1.701
Capital	6.508
Surplus	13.919
TOTAL LIABILITIES	34.659
WORKING CAPITAL	8.146
Current Ratio	1.8

Pertinent Statistical Data

	1939	1940	1941	1942	1943	1944
Sales ($ mill.)	20.041	24.752	36.500	43.277	51.000	52.398
Dep. & Amor. ($ mill.)	......	......	......	.882	.867	.900
Bal. for comm. ($ mill.)	......	......	......	2.476	2.523	1.992
Operating margin	......	......	......	21.8%	18.2%	15.7%
Net profit margin	13.1%	11.4%	9.9%	6.0%	5.0%	3.8%
% earned on inv. cap.*	......	......	......	......	......	31.5%
Earned on common, per share (a)	$.96	$1.04	$1.34	$.95	$.97	$.77
Earned on common, % of market price	......	......	......	2.7%	2.7%	2.7%
Dividend rate (a)	......	......	......	$.50	$.50	$.50
Dividend yield	......	......	......	1.4%	1.4%	1.4%
Current asset value, per share**	......	......	......	......	......	$6.04
Book value per share	......	......	......	......	......	$8.06
Net current asset value, per share**	......	......	......	......	......	$2.19
Cash asset value per sh.	......	......	......	......	......	$3.02
Current ratio	......	......	......	......	......	1.8

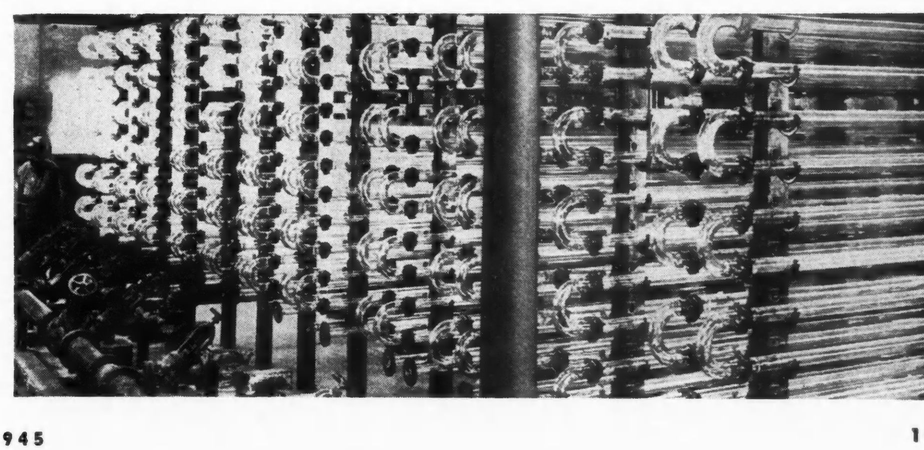
*—Before provision for income taxes.
**—After allowing for senior securities.
a)—Adjusted for 4-for-1 split on April 4, 1945.
Missing data not available.

ishing rate of 800 per minute. As handblown bulbs for years had been fashioned at the costly rate of about 1400 per day by a skilled artisan, the importance of the new process is obvious. In spite of the enormous demand for bulbs which has now been developed, only twelve of these machines are in existence, seven owned by Corning and five licensed to General Electric Co. The bulbs are formed by air pressure upon a moving ribbon of molten glass, automatically perfected and detached by special devices. So great is the productivity of these machines, that during spare time they are used to produce Christmas tree ornaments, and promise to be made adaptable to the manufacture of low cost table glasses. If operated at full capacity to produce incandescent bulbs alone, annual output would exceed all domestic consumption.

Specialization in the glass field by Corning, while restricting volume in comparison with other glass makers, proved consistently profitable, with the result that little urge for expansion other than by natural growth presented itself. In 1918, however, the company acquired and revived the long dormant business of Steuben Glass, famed for its table and art glassware, at a later date establishing a retail store on Fifth Avenue, New York City, still in successful operation. For decade after decade, in fact during every year since 1880, substantial but not spectacular earnings continued to enhance Corning resources, a circumstance which enabled the company to ride through the depression during the early 1930s with flying colors and to take advantage of the prevailing low construction costs at that time for important expansion of its facilities, with increased emphasis upon research.

In 1936, Corning acquired the long established business of Macbeth-Evans Glass Co., a leading maker of coal-oil-lamp chimneys, inexpensive tumblers, light shades and table ware, the move naturally widening the company's sales activities among retail distributors, and with corresponding benefit to its volume output of Pyrex products. But with a stream of new discoveries pouring out of the Corning laboratories, potentials for adaptation of glass in many forms hitherto unknown broadened so rapidly that Corning decided to share in their development by co-operation with other large units in the industry. To facilitate the development of glass blocks for building purposes and of Foamglas, the latter a cellular glass product used in refrigeration chambers and sufficiently buoyant for use in life rafts and boats, the Pittsburgh Corning Corporation was formed in 1937, ownership divided equally between Corning and Pittsburgh Plate Glass Co.

Fabrics made of spun glass for years have been a novelty with little commercial appeal, but Corning research in recent years has overcome many of the former disadvantages and developed machinery to produce the finest filaments, the new processes fully protected by patents. By one method fibers are interlaced into a resilient wool-like mass for fabrication into blankets and boards for household use and industrial thermal insulation. In another form, the fibers are twisted into yarn to be woven into tape, braids and cloth, which, being fireproof, enjoy broad sales potentials. To manufacture and distribute these special products, Corning enlisted the support of Owens-Illinois Glass Co. and together they formed Owens-Corning Fiberglas Corporation, each taking 48% of the stock and allocating the rest to the executives of the new company. During war years about 90% of the Fiberglas output has gone to fill military orders, and in recent months its usage was extended to life preservers by the Navy, due to its buoyancy, cleanliness and freedom from fire hazard. As filters for air-conditioning and separation walls in storage batteries, also, its sales po-



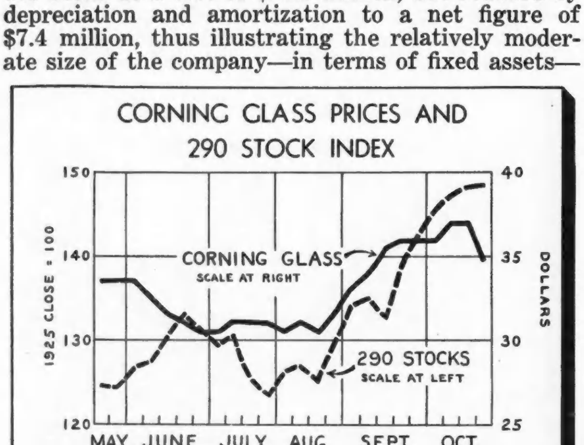
Twenty-three miles of Pyrex pipeline. This glass pipe can stand chemical attack and sudden changes from heat to cold.

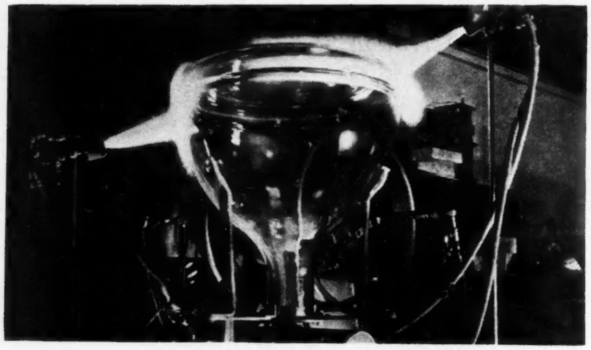
tentials are broad. Sales of Owens-Corning in 1944 topped $56 million—$3 million above Corning's own showing.

Organic chemistry during the war made strides in the study of silicon, the prime basis of glass, and Corning scientists discovered that by chemically combining silicon with oxygen and organic radicals it was possible to produce an excellent insulating material having unusual resistance to heat or exceedingly low temperatures. By varying the constituents, this product may closely resemble synthetic rubber with elastic qualities or emerge as a flint-hard substance, in each instance without impairing its insulating qualities. Little imagination is required to envisage the wide sales potentials of this interesting product, and within a very short time demand for it became heavy.

In 1943, only two years ago, Dow Chemical Company joined Corning in establishing the Dow Corning Corporation, 50% owned by the latter, and rapidly got into production of a patented line of insulating resins, varnishes, greases and elastomers in a Michigan plant. Despite the fact that these three new ventures have had little time to demonstrate their eventual merit, Corning's investment of $3,900,000—$500,000 in Pittsburgh Corning, $2.7 million in Owens-Corning and $700,000 in Dow Corning — is reported to have a current value of about $6.6 million. While Dow Corning's sales have already risen above a million, net results are still negative, but Pittsburgh Corning has begun to show some profit from its Foamglas. Owens-Corning earned $2.5 million in 1944 after allowance for EPT and renegotiation charges totaling $9.1 million.

Production of Corning is centered largely in the town of this name, where five of the company plants provide the main support of the community and where the fourth generation of Houghtons, in the person of Amory Houghton, serves as Chairman of the Board of Directors. Supplementing these facilities are five other plants located in Pennsylvania, Rhode Island and West Virginia, while in Brazil a wholly owned subsidiary, Vidros Corning Brasil, S.A. owns a minority interest in a glass making company in San Paulo. Property, plant and equipment of Corning Glass Works itself is carried on the books at a cost of $14.6 million, but reduced by depreciation and amortization to a net figure of $7.4 million, thus illustrating the relatively moderate size of the company—in terms of fixed assets—





Television bulb being annealed

compared with many other industrial enterprises.

From these facilities, however, comes a list of glass products running into the tens of thousands and including, with the exception of flat glass and bottles, not only every other category anyone could name but many others to test the imagination. Popular conceptions of glass as a brittle substance with no tensile strength and uncongenial with various metals appear headed for the discard as a result of Corning research. Bars of glass which you cannot break across the knee, dishes that can safely be hurled across the room, glass spirals that serve as springs without noticeable fatigue, thin glass bulbs that you can drive nails with, and colored glass of extraordinary appeal, barely start to indicate the wide range of products and applications. In one large chemical plant, 27 miles of glass piping has carried acids to facilitate the war effort. Specially treated glass may now be welded with metals, a valuable contribution to the manufacture of certain durables. All said, glass promises to hold its own in competition with other materials or in combination with them, and Corning may be expected to pull further surprises out of its sleeve. Not the least of these is a possibility that glass may supersede plumbing pipes and porcelain in the family bathroom.

The fact that Corning has assigned a book value of only $40,000 to its unamortized patents is no index of their true value or potentials, because in the natural order of events the development of every new discovery and above all the design of every new machine in the company's long progress has been attended with major emphasis upon the aspect of patentability. While a good many of these patents have expired, a long list of others both strengthen the company's position and involve it in a lot of expense and trouble. For years, patented machinery and processes developed by Corning were farmed out by it to favored manufacturers under agreements which finally aroused the displeasure of the Department of Justice and by order of the courts, such practices were subjected to radical alteration under the Sherman Act. Still pending are a number of other suits, both by the Government and by several large corporations claiming treble damages which bulk into substantial sums. While the outcome of these cases is uncertain, the possibility that Corning may have to throw the field wide open to competitors does not appear to worry it much as the main effect would be to swell revenues from royalties, and damage suits usually are settled for modest amounts or (*Please turn to page* 171)

. . . Economics of the Venezuelan Revolution

. . . The British Export Drive

. . . Trade Obstacles in Southeastern Asia

. . . Currency Muddle on the Continent

WITH JOHN LYONS

VENEZUELA was expected by most people to be the last country in Latin America to stage a revolution. It is rather difficult to guess what changes will come as a result. Not much is known about the new "junta" which has already been recognized by Washington, except that some of its members belonged to the "Democratic Action," an organization of intellectuals with leftist but at the same time nationalist ideas. Probably a "moderate-to-left" course will be followed. The new regime claims to be better fitted to handle the postwar problems than the ousted Democratic party which had been in power since 1935, when revolution ended the graft-ridden, thirty-year rule of General Gomez.

In the elections which were to be held next April, the odds favored the re-election of General Lopez Contreras, an able and conservative executive, who during his term, 1935-1941, probably gave the country the best administration in its history. General Lopez would have had the support of the army, business, and the large land-owners who were hopeful of his throwing out the sweeping Agrarian Reform bill now before the Venezuelan Congress.

The forestalling of such a move may have been one reason for the action on the part of the "junta." The Reform bill proposes to better the lot of the farmer through education and by the establishment of a farm credit system, but what is really objected to is the proposal for the expropriation of land "not adequately used" in order to promote a wider land distribution. In a broader sense, in Venezuela, as in other Latin American countries, small farmers, factory workers, and dissatisfied urban dwellers (hard-pressed by inflation) are challenging the old land-owning class which held power and dictated economic policies from the days of liberation more than one hundred years ago. It is quite certain that the land-owners who control the Army will not take it lying down.

The Number 1 postwar problem in Venezuela is inflation, brought about by the wartime boom in exports and the lack of consumers' goods. The country is now more expensive to live in than even the United States. The Number 2 problem is the liquidation of the wartime boom, meaning the elimination of overexpanded, high-cost industries established during the war, and the bringing down of real estate prices. Judged by other Latin American examples, the new regime in Caracas will probably favor high tariffs. The more conservative element, and particularly the land-owners, would have favored freer trade and more open competition with imported low-priced industrial products.

Although not as astute as General Lopez Contreras, the ousted General Medina gave the country a progressive administration. Social welfare laws were promulgated and tax reform carried out. The General forced the American and British petroleum companies to pay considerably higher royalties as well as special taxes on unused lands. On the other hand, the old concessions were extended for 40 years and many new ones were granted. The result has been the expansion of production and the speeding up of the exploration of oil lands. The current production of petroleum is at the rate of about 350 million barrels a year, or nearly twice as much as in 1942, when the German U-boat menace and the partial destruction of the Aruba refineries kept production down. The doubling of petroleum production boosted Government revenues to 540 million bolivares (47 per cent came from the petroleum companies) as compared with 287 million in 1942. The 1944 budget closed with a surplus of 130 million bolivares, something unheard of these days.

Venezuela has no foreign debt. The internal debt stood at about 25 million bolivares at the end of 1944 (less than $2 per capita at the current rate of exchange), but the Venezuelan Treasury's cash balance was about 152 million bolivares. The Venezuelan Central Bank and the Treasury held about 620 million ($190 million) in gold and foreign exchange balances last June.

* * *

During the last few months, British exports have been expanding at a rather promising rate, despite all the recent reports about the slowness of the re-

conversion, the labor difficulties and the rising production costs attributed to expensive coal and higher wages. If the rate reached in August, £37 million, is maintained (some people think that the exports may dip because of the reduction of relief shipments), total exports for 1945 will be just about £400 million. In 1938, one of the best inter-war years for British business, exports were only about 18 per cent higher, or £471 million. In volume, the 1945 exports will probably be still 45 to 50 per cent below 1938. The low in British exports, £233 million, was in 1943.

The best showing is being made by rayon exports, which were about 200 per cent higher in August than in 1938, and chemical exports, which were about 100 per cent higher. Other exports above the 1938 levels were those of machinery and electrical apparatus. The exports of iron and steel manufactures about doubled as compared with the earlier part of the year.

As to the imports, it seems, on the basis of the figures for the first eight months, that they will aggregate about £1,250 million. This would indicate an import excess in 1945 of about £850 million which would be about £200 million less than in 1944, but nearly twice as much as in 1938. The rate of imports should increase considerably if the British Home Government agrees to the terms for a $4 to $5 billion U. S. A. loan. If the same volume of goods was to be imported as in 1938—and the requirements are likely to be greater because of the reconversion and the rehabilitation—British imports during the next two years should move at between £1.5 and £2 billion. The reason for the relatively low level of the present imports is the falling off in lend-lease shipments and the shifting of a part of the import trade to the areas which do not require payment in dollars.

Asiatic Trade Prospects

The important trade with southeastern Asia, where we bought in 1941 over $700 million worth of goods, probably will be limited during the next year or so largely to drawing on the stockpiles of raw materials left behind by the Japanese. These stockpiles included include some 1,600,000 short tons of badly needed sugar, still in the interior of Java, over 200,000 tons of rubber, uncovered mostly in Indo-China, between 15,000 and 20,000 tons of tin, found mostly in Malays, some copra and coconut oil; some hemp and copra are already being shipped out of the Philippines. The report of finding large stockpiles of pepper and spice has not yet been confirmed.

Except for rubber and possibly tin in some areas, the restoration of new production of principal export products is expected to be slow because of the poor condition of transportation facilities and the lack of labor. During the Japanese occupation, most of the mine and plantation workers were either drafted for work on defense installations or went home to grow food crops. Since the native has lost confidence in paper money, only trade goods in sufficient quantities will probably make him change his mind about leaving his plot of land. The re-equipment of the processing mills, sugar factories, and oil presses, will be costly, and in the Philippines alone the estimate of the cost was put at about $250 million. Some industries, such as palm oil and sisal, will have to start from scratch. To speed up the flow of goods, the Bank of the Netherlands Indies was granted a $15 million loan by Canada, while the Export-Import Bank is giving a $65 million loan.

The American investments in the Netherlands Indies, which were estimated at about $100 million before the war (about one-third was in rubber and another third in petroleum properties and plants) are reported to have suffered considerable damage. The General Motors assembly plant evidently is in poor condition and the workships of the General Electric Company have been either destroyed or looted. The dry-cell battery plant of the National Carbon Company is also in poor condition, but the plants of the Goodyear Rubber Company and the British American Tobacco Company are said to be in working order but in need of overhauling.

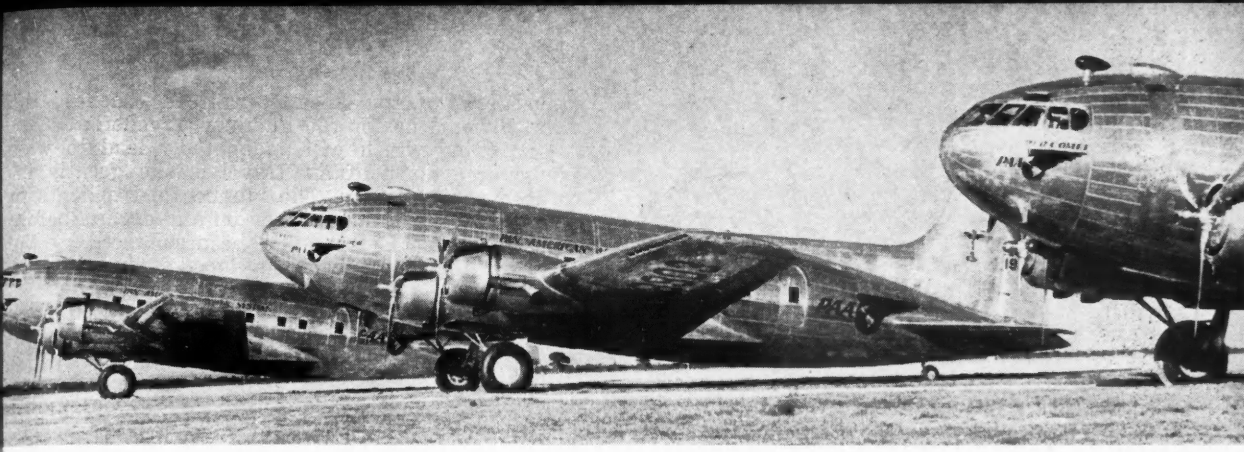
Currency Muddle on the Continent

The wide difference between official and black market quotations which are compiled from various sources and reports to the table below, indicates little improvement in the currency inflation on the Continent. In fact, things are going from bad to worse in the Russian-controlled parts, in view of the fact that Poland and Yugoslavia have had one currency reform already. In Poland more than half of the currency was frozen when the occupation reichmarks were exchanged at the rate of 2 for one zloty. In Yugoslavia 100 old dinars or Croatian kunas were exchanged for 1 new dinar, of which there can now be had some 400 for one U. S. Dollar. The situation in Greece has improved somewhat in recent months as more goods are now available, but it must be remembered that the present drachmas, dealt in the black market at 1,500 for one U. S. dollar, were exchanged at the rate of 50 billion old notes for one new note just about one year ago.

	Currency	Prewar Quotation June 1939	Current Official rate	Current Black market rate
	(Number of units per U. S. dollar)			Up to
Austria	Schilling	3.6(a)	15.0(a)	45.0
Belgium	franc	29.4	43.8	-115.0
Czechoslovakia	crown			
Russian zone	crown	29.2	29.1(b)	
American zone	crown	29.2	100.0	
Finland	markka	48.5	136.0	-250.0
France	franc	37.7	50.0	-200.0
Greece	drachma	116.3	500.0	-1,500.0
Italy	lira	19.0	100.0	-400..
Poland	zloty	5.3	100.0	-400..
Hungary	pengo	3.4	8,250.00	-20,000.0
Roumania	lei	142.8	(c)530.0	-1,000.0
Yugoslavia	dinar	44.1	44.1	-400.0

(a) based on the old official rate of 1.5 schillings per 1 reichsmark.
(b) based on the rate of 5.5 crowns per 1 rouble.
(c) based on the rate of 100 lei per 1 rouble.

A currency reform was announced last month in Czechoslovakia. It follows the well-established plans in other countries. With the exception of one-crown notes, all paper currency is to be deposited in banks by October 31, 1945. New notes will be gradually released later. In Finland, the third official revaluation since May was announced last month, but the black market is still a jump ahead. The main source of trouble everywhere lies in heavy budgetary deficits. In Czechoslovakia, which escaped relatively unscatched, only about one-tenth of the budgetary expenditures is being covered by taxes. In France the note circulation is up nearly 50 million francs, after having dipped to about 440 billion last Summer, following the currency reform.



Pan American

AIRLINES *IN THE NEW AGE OF TRANSPORTATION*

BY HAMILTON OWEN

THE listed shares of leading air transportation companies have staged an outstanding market performance this year. As a group they have outstripped the upward pace of the market as a whole, while individual issues among them have recorded gains of upwards of 100 per cent. Does this mean that the airline issues have temporarily captured the fickle speculative fancy of the public? Or does it mean that the market is realistically appraising future potentials—in terms of possible earnings and dividends? It is with these questions that this discussion is concerned.

The air transport industry in the United States has entered upon an important new phase, a phase which may well establish it as a major factor in the business of mass transportation. This phase might logically be said to have begun on V-J Day, although long before, many an airline executive had been looking longingly at plans of new post-war planes, routes, airports and schedules, hopefully waiting for the day when they could become actualities. That day has arrived

If war can be said to have any blessings, in this instance it can be credited with imparting great impetus to the progress of aviation in the United States and, for that matter, the world over. It made possible the testing and application of many new ideas and developments which under more normal circumstances might well have taken years to perfect. Literally millions of people were transported in planes who previously had never taken a flight. Almost overnight they have become air minded enthusiasts. To achieve the same results, by themselves, the airlines would have to spend large sums of money, to say nothing of time, in promotional work. Then, too, tens of thousands of young men have acquired mechanical skill in servicing big four-motored bombers and 2,000 horsepower engines. Other thousands have become skillful pilots, navigators and flight engineers. All of which promises to redound to the lasting benefit of the air transport industry, greatly facilitating its growth and progress.

Already the pattern of post-war air transportation has acquired sufficient clarity to suggest what the airline operators are hopeful of achieving and how they plan to go about it. Convinced that travel for pleasure and recreation will reach boom proportions within the next several years, the airlines are not only determined to get their full share of this business but they have high hopes of winning a lot of travelers away from the railroads, buses and the private automobile. To do that, they will try to make it possible for the average individual to travel by air at a price well within his reach. In 1944, fourteen domestic airlines carried 3,658,140 passengers. With post-war inducements the airlines are hopeful of doubling or tripling this figure within a year or two.

Before the war, travelling by air was a rather expensive undertaking and patrons consisted chiefly of corporation executives, movie stars, business men with a sizeable expense account, and others to whom time was of the essence. Only 20 percent of the pre-war passengers were pleasure bound; the rest were travelling on business. Fares averaged about 5 cents a mile and most planes carried 21 passengers, always with a certain number of empty seats. With a rate of about 60 to 70 cents a ton mile for mail and express cargo, most airlines were able to operate profitably.

Capacity Loads

But during the war, with every available plane operated at virtual capacity, airlines found that it would be possible to charge lower fares and still earn a good profit. The keystone was volume. The way to build up volume is to make plane fares competitive with those charged by other media of transportation. And the way to handle a large volume profitably is to use larger planes.

Recently, fares have been lowered to an average of about 4.5 cents a mile and the industry has placed orders for $300,000,000 worth of new planes—larger and faster planes. And unless all indications prove erroneous, this is only the beginning.

The lowered schedule of fares now makes it possible to fly from New York to Detroit, for example, for about $5 less than it would cost to make the trip travelling by rail with a first class ticket and a Pullman lower berth. Meals and service tips add to the cost of the rail trip.

The air transport industry executives deny that these lower fares are the opening gun in a competitive rate war. Be that as it may, their attraction

is obvious. If they have the desired effect and prove a strong traffic stimulant, further reductions are certain.

Mr. C. R. Smith, President of American Airlines and until recently a Major General in the Air Transport Command, writing in the Saturday Evening Post, strongly advocated a "three-cent airline" and stated: "We should not be afraid to plan that the airplane will someday be cheaper to ride for distances over 200 miles than anything on wheels—except, perhaps, buses." At three cents a mile, plane fares to Los Angeles from New York would be less than $80, to Chicago less than $22 and only $5.52 to Boston. Ten years ago it cost $160 to go from New York to Los Angeles. If the industry finds that traffic and equipment will permit rates as low as three cents a mile, then it will truly have succeeded in bringing air travel within the means of the average person.

Such things as larger, speedier planes permitting more trips and carrying more passengers put the three-cent fare within the realm of possibilities. But that is not all. Airline operators will find many important opportunities for more economical handling of their business by revising the present duplication of airport and servicing facilities. There are many frills in air transportation which could be omitted to advantage and without sacrificing the appeal of air travel to the prospective passenger. It might even be found feasible to operate two classes of service—one a type of luxury service consisting of high speed sleeper planes with cocktail lounges and what have you, charging a higher rate of fare; another type at the lowest rate utilizing maximum seating space and operating on a somewhat slower schedule. The latter service would be a bid to the traveller who now rides in railroad coaches; the former would be for the Pullman traveller.

One thing which will undoubtedly lead to wide public acceptance of air travel is the greatly increased safety factor. The number of accidents in commercial aviation had been on the decline before the war, and this trend will be accelerated by the adaption of safety devices developed during the war, and the more effective use of radar, radio, beacons and meteorological forecasting. Fewer flights will be cancelled because of unfavorable weather conditions.

To accommodate the expected increase in the number of air passengers, as well as the larger number of planes in operation, many new airports will be needed. Runways will have to be lengthened. Many of these will of necessity be local projects, but the Federal Government also has under consideration a five-year program of airport construction. At the present time all of the large cities in the United States are being served by the airlines, but although the Civil Aeronautics Board has approved applications of 382 cities, only 282 of these are being served at the present time, according to available figures. There are a hundred applications now before CAB for new routes, many for "short feeder" lines, embracing air service for some 600 cities. It is the present policy of CAB to grant new routes on an experimental basis, to be dropped later if results are not satisfactory.

New Overseas Routes

In the matter of new routes, however, domestic developments have been largely overshadowed by the action of CAB last July in awarding North Atlantic routes to three large airlines — Pan American, TWA, and American Air Lines. Previously, Pan American Airways had the exclusive privilege of providing foreign service. It is the affirmed policy of CAB to encourage healthy competition in all service areas, as a means of promoting the growth and development of the air transport industry, and doubtless a similar pattern will be followed in awarding routes in South Atlantic, North and South Pacific and Latin American areas.

Statistical Data of Leading Air Transport Companies

	Total Oper. Revenues ($ mill.) 12 Months Ended 6/30/45	12/31/44	Net Per Common Share 1941	1942	1943	1944	1st 6 mos. 1945	1st 6 mos. 1944	Current* Dividend	1944 Current Ratio**	1944 Book Val. Per Share	Recent Price
American Airlines	$44.222	$39.244	$1.97(a)	$3.16(a)	$2.59(a)	$3.32	$1.79	$1.79(a)	$1.00	2.4	$19.87	78
Braniff Airways	6.930	5.707	def. 0.14(b)	.85(b)	.54	.77	.24	.49	.60	6.4	7.16	23
Delta Air Corp. (f)	5.156	3.233(g)	1.20(c)	1.36(c)	1.44(c)	1.38(c)	....	....	.50(i)	3.2	10.21	42
Eastern Airlines	22.816	18.545	2.81	6.14(e)	2.42	2.54	1.45	.74	.50	3.0	29.49	85
National Airlines	3.232	1.779(g)	.52(c)	.61(c)	.01(c)	.36(c)	....	....	Nil	3.8	5.13	25
Northeast Airlines	1.421	2.426	def.19	.26	def.19	def.15	Not Available		Nil	4.2	3.76	15
Northwest Airlines	9.340(h)	5.944(g)	1.39Je	2.06Je	1.28Je	1.45Je	.22Mr3	.16Mr3	.50	2.0	14.65	44
Pan-American Airways	Not Avail.	47.327	1.73	1.95	.97	.81	Not Available		1.25(j)	1.7	16.35	20
Penn-Central Airlines	8.735	6.216	.36	.95	.54	.81	.87	.14	.25	2.5	9.01	34
Transcon. & Western	32.068	25.340	def.51	2.29	2.12	2.82	1.73	.68	Nil	2.5	16.85	53
United Airlines	39.823	35.629	.40	1.42	2.13	3.79	2.20	1.79	.50	2.1	17.57	46
Western Airlines	4.903	4.257	.01	1.69	.22	.33	.65	.10	Nil	1.6	4.09	27

*—Total paid for the 12 month period to date.
**—No. of times Current Assets exceeds Current Liabilities.
(a)—Adjusted for 2-for-1 split Dec. 1944.
(b)—Adjusted to reflect 50% stock dividend declared in 1943.
(c)—Fiscal year ended June 30 of the following calendar year.
(e)—As revised for tax adjustment.
(f)—Figures are adjusted to reflect 50% stock div. declared in 1945.
(g)—12 months ended June 30, 1944.
(h)—12 months ended March 31, 1945.
Je—Fiscal year ended June.
Mr3—For 3 months ended March.
(i)—Plus 50% stock dividend.
(j)—$1 paid in Dec. on $5 par and $.25 paid in June on $2.50 par stock.

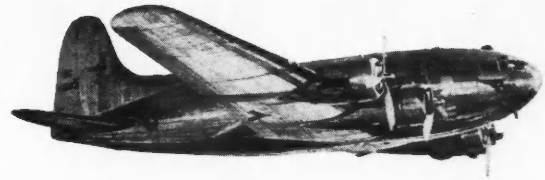
Some idea of the importance and potentialities of the North Atlantic area is obtained from the fact that passenger traffic between the United States and Europe has been larger than to all other corners of the world combined. Each company has been allotted a separate sphere of European operations; the three companies have had extensive experience in overseas operations; and all of them supported their applications with evidence that they could operate without any Government subsidy. In making their competitive bid for transatlantic travel, as at home, these lines will emphasize speed and lower fares. London will be only 11 hours flying time from New York and fares may be reduced to as low as five cents a mile.

The publicized plans of the airlines for the future development of their business have stressed the passenger business, but this does not mean that they are overlooking opportunities for adding to the volume of air freight. Prior to the war, air cargoes were more or less inconsequential, but the airlines had their eyes opened to the possibilities of this field by the experience of the Air Transport Command during the war. At the present time there are only a dozen planes engaged exclusively in the transport of freight and express, but more will be added as fast as equipment is available. Here too, it is hoped that the big stimulus will come from lowered rates, and talk is heard of a figure as low as 35 cents a ton-mile, a reduction of 50 per cent in the recent scale. Given volume, the airlines estimate that cargo business can be carried profitably at the lower rates.

All of which adds up to a pretty glowing picture of the post-war possibilities for the domestic air transport industry. To get a true perspective, however, it is also necessary to consider several factors of a tempering nature. First, there is the matter of Government regulation through the instrument of the Civil Aeronautics Board. Thus far the administration of its functions by CAB has been eminently satisfactory. Its decisions have been influenced by a desire to provide the best possible service, and on a basis of rates which would insure a reasonable profit to operators. CAB has encouraged competition, but healthy competition, and not the sort which evolves into a knockdown and drag-out affair. In other words this Federal body shows every indication in its policies of seeking to further the progress of the industry.

Multiple Taxes

Actually, the airlines are more concerned with the trend toward multiple regulation and taxes by states. This year twenty-one states have considered regulatory legislation; three states enacted legislation regulating airlines. Operators have objected strongly to the policy of paying gasoline taxes in states levying such taxes, on the grounds that their business is interstate and that they use none of the facilities which the taxes are supposed to support. Twelve states tax aviation gasoline at its full value. Recently Eastern Air Lines won the first round of a legal battle against the state of Georgia seeking to collect nearly $600,000 from the company in gasoline taxes. Airlines have also been subjected to multiple property taxes. Before the House Interstate & Foreign Commerce Committee is a bill which

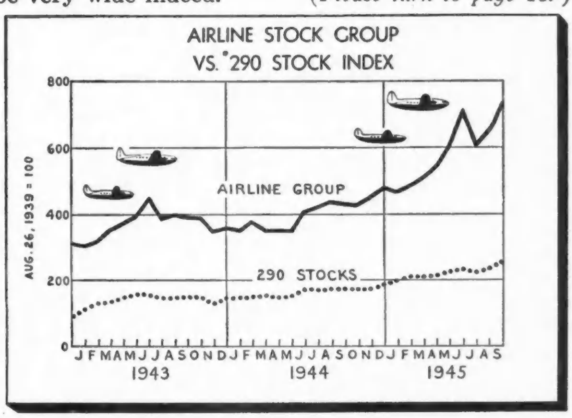


would provide the airlines with much needed relief in the matter of rationalizing the levying of both property and gasoline taxes. In view of the heavy volume of pending legislation now before Congress, however, it is difficult to say how soon any action on this bill can be expected.

Should the growth of air transport try to attain the hoped-for proportions, it has been estimated by the Air Transport Association that the industry over the next five years will spend $750,000,000 on new planes and ground equipment. If such proves to be the case, it seems probable that at least two-thirds of this amount will have to be raised through bank loans and new financing. New money needs financed through the sale of securities inevitably will have the effect of causing dilution in present stock equities while on the other hand, directors will have an impelling urge to conserve cash—at the expense of dividends.

In summarizing, one is lead to the obvious conclusion that air transport is truly a "growth" industry, replete with all of the romance aspects commonly associated with aviation. Even its problems are typical of those which have confronted other "growth" industries. To many a practical or doubtful person, the future plans of the industry about which its executives will enthuse at length may seem visionary. Some of them may prove to be just that but many will be translated into highly profitable operations.

For the purpose of this discussion, it would be very helpful to both present and potential owners of airline securities if it were possible to project traffic potentials and other factors into the future and wrap them up in a neat statistical package. But it will be realized that in a setting where presumably authoritative sources differ so widely in their estimates of future airline traffic (estimates range from double to fivefold the present volume) and where past results are not a reliable criterion, the possible margin of error in such calculations would be very wide indeed. (*Please turn to page* 167)



The Dynamic Profit Potentials In *Stock Warrants*

BY J. S. WILLIAMS

AT times when the speculative urge in an individual reaches the irresistible stage, it might be well to scan the opportunities for profit making provided by stock warrants. Numerically, the roster of companies with warrants listed on the New York Curb Exchange is rather small, thus limiting choice to a few important concerns; but as these have marked individual characteristics, selectivity has ample room for expression. As a purely speculative medium, warrants can furnish plenty of excitement in a longer range program, for percentage-wise their price gains or losses usually far outdistance those of the common stocks on which the holder acquires an option. In one instance, the price gain of one warrant which we shall discuss has been about 2600% since 1942; there have been even more sensational percentage increases, as the appended table shows.

Warrants vs. Rights

For various reasons, strong concerns quite frequently find it advantageous to issue warrants entitling shareholders to purchase treasury stock on definite terms within a given period. The option privilege thus granted in the form of a warrant differs fundamentally from that of a "right" in that the time limit of the former may extend for years or even be perpetual, whereas the expiration date of rights usually is restricted to a matter of weeks. In the course of recapitalizations, or adjustments of arrears, warrants often come into being as an inexpensive bargaining device with advantageous potentials if the company later should experience unusual prosperity. More frequently, however, they are used as an additional incentive to shareholders when they are offered new stock for the purpose of raising working capital, or to create an added attraction to public offerings of either preferred or common stocks. Sometimes the warrants are distributed in individual form and now and then attached to the new stock certificates, but in either case they are distinctly negotiable by themselves and title is vested in "the bearer."

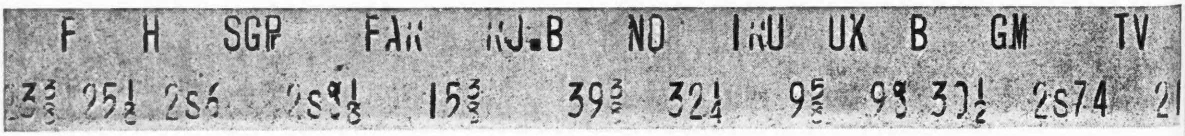
Because no property rights accrue to the owner of a warrant, beyond the single privilege of buying certain shares with limitations on price and time, value of the warrants when first issued is measured mainly by long range speculative factors as considerable time might elapse before an advance in the stock price renders it desirable or profitable to take up the option. Prior to such a fortunate eventuality, therefore, considerable looking ahead is the main basis for establishing the price level of the warrants; accordingly most of them start with only a fractional quotation and while percentage gains may be very large, warrants seldom emerge from the lower dollar brackets.

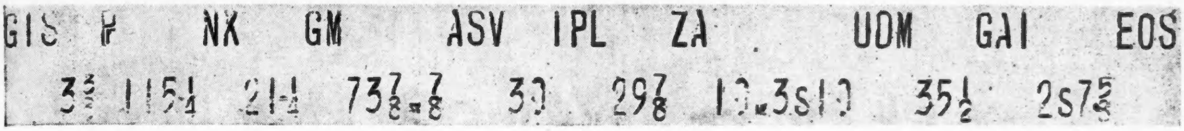
For the above-mentioned reasons, not much cash outlay is required to buy outright a substantial quantity of warrants, thus limiting potential losses to the definite sum involved, but in a rising stock market speculative fervor is apt to create impressive appreciation out of proportion to risk assumed, although of course when stock prices trend strongly downward volatility becomes evident in the opposite direction. The price range over a reasonable period, as previously stated, is likely to be far wider than for the stocks involved, enhancing the speculative appeal correspondingly, but as the warrants provide no income, profits can be achieved by price change alone.

As the prevailing price of a warrant sometimes represents only a fraction of a dollar, short term speculative programs in them are somewhat handicapped by the expense of Federal transfer taxes and commissions, but during broader market swings this factor becomes less significant. To play for the longer market trends, selectivity and intelligent timing are quite as essential as would be the case if the stock under option were under consideration, with the added need of close study of the relationship of the prevailing price to that established by the option and its expiration date.

Atlas Corporation

In the accompanying table are listed most of the warrants actively traded in on the New York Curb Exchange, with statistics that may prove interesting. To clarify the picture we will discuss the status of a few, starting with Atlas Corporation, as market behavior of its warrants has been decidedly interesting. This giant investment company makes a specialty of putting substantial sums of money into carefully studied situations with well-marked potentials, such as American and Foreign Power Co., Walt Disney Productions, Stevens Hotel, RKO, Northeast Airlines, United Fruit and many others. Outstanding are about 1.95 million warrants, each of which entitles the holder to purchase, without time limit, one share of Atlas common at $25 per share. In 1942 when Atlas shares were selling around 6, the warrants had little speculative appeal and were quoted as low as 25 cents each. Quite recently, however, Atlas common sold as high as 19¾, only 5¼ points below the price where the option given warrant holders would reach parity. Conse-





quently the warrants now sell around 6⅞ or nearly 28 times their cost three years ago. Translated into terms of dollars, this means that 10,000 warrants purchased outright for $2,500 in 1942 could now be sold for close to $70,000 whereas the same amount of money invested in the stock itself would be worth around $8,000 only.

Another interesting example is shown in the case of Pan American Airways. In July of this year, in order to increase working capital, PAA offered its shareholders 1,933,261 units, each consisting of one share of common and a warrant entitling the holder to purchase an additional share at $18 prior to December 31, 1947. As Pan American common at the time was quoted at about this same figure, the warrants immediately became of considerable value, selling at a low 5¼ in their first month of issue. A recent price of 20⅞ for PAA, a gain of about 3 points over July, has been reflected by a current price of around 8 for the warrants, the advance in points being closely similar, but measured in percentages the warrants have advanced about 52% against 16% for the stock. Buyers of the warrants at 8 of course are betting that Atlas common will cross 26 during the next 2 years, but the market action of the warrants is not limited by this conjecture as speculative enthusiasm could easily raise the ante to unpredictable proportions, and PAA is an enterprise with strong growth potentials.

In the public utility field, holders of warrants issued by Electric Power and Light Co. have had an interesting experience since 1942, for from a low level of 5/64 in that year the price has since advanced to currently 5⅛ or a percentage increase of 6460%. In terms of dollars, 10,000 of these warrants worth about $700 in 1942 are now worth over $50,000, enough profit resulting to satisfy almost any speculator. As in the case of Atlas Corporation, Electric P&L warrants enjoy a perpetual option to purchase a share of common at 25, and the current spread with the stock selling at 17⅛ is not overly broad. Future prices for Electric Power & Light stock will depend not only upon the general course of the market but also upon unpredictable values arising from liquidation of this holding company's interest in certain subsidiaries by court order. Speculative factors are thus doubly enhanced.

Radio-Keith-Orpheum

In the motion picture industry, no major concern has shown such a spectacular gain in net earnings during the last three years as Radio-Keith-Orpheum or RKO. In consequence of its improved status, RKO stock has advanced from a low of 2 in 1942 to about 13⅞ at present, an impressive gain. But RKO has outstanding 2.55 million warrants, each representing an option to buy a share of common stock at 15 prior to 1950, and during the dismal days of 1942 these sold as low as 1/16; you could hardly give them away. As they currently are worth about 5, the percentage gain has been tremendous, in fact 7900%. The volatility of these warrants is highlighted by their 1945 range of high—5 and low —1⅛. With a spread of only 1⅛ points between the current price of RKO common and the option figure, and with over four years to come before termination, the speculative attraction is considerable.

Slightly different in terms from the others are the warrants of Ward Baking Co., as proposed by the Board of Directors for (*Please turn to page* 172)

Statistical Data and Terms Pertaining to Various Warrants Traded on the N. Y. Curb Exchange

	1942 Low	Recent Price	% Increase	1945 Price Range	Recent Price of Common Stock	Warrant entitles holder to purchase 1 sh. of common at: Price — Duration of Privilege
ACF-Brill Motors	——(a)	6½	——	7¾-2⅞	14	$12.50 prior to January 1, 1950 and at 15.00 prior to January 1, 1955
Amer. & Foreign Power	1/32	⅞	2,700%	15/16-5/32	5⅞	$25.00 at any time
Atlas Corp.	¼	6⅞	2,650	6⅞-2⅜	19¾	$25.00 at any time
Colorado Fuel & Iron	1	7⅞	687	7⅞-5⅛	15¼	$35.00 prior to February 2, 1950
Commonwealth & Southern	1/256	3/32	2,300	3/32-1/64	2	$30.00 at any time
Electric Power & Light	5/64	5⅛	6,460	5⅛-5/16	17⅛	$25.00 at any time
Hussman Ligonier	—— b)	20	——	20-7	32½	$18.00 prior to May 15, 1950
Int'l Minerals & Chemicals	——(c)	20½	——	20¾-9½	28¾	$8.12½ prior to February 2, 1947
Manati Sugar	⅜	4⅛	1,000	4¼-2⅛	10¼	$12.50 prior to November 6, 1947
Merrit-Chapman & Scott	¼	7¾	3,000	7¾-3½	19½	No more than $30.00 at any time; present price is $29.53
N. Y. C. Omnibus Corp.	1¾	18½	957	22-12	36⅜	$17.50 prior to March 2, 1947
Niagara-Hudson Power "B"	1/32	⅝	1,900	⅝-3/16	7	$42.85-5/7 at any time
Pan American Airways	—— d)	8	——	9¾-5¼	20⅞	$18.00 prior to December 31, 1947
Radio-Keith-Orpheum	1/16	5	7,900	5-1⅛	13⅞	$15.00 prior to February 1, 1950
Richfield Oil	⅛	2	1,500	2-¾	13½	$20.00 prior to March 15, 1947
Tri-Continental Corp.	1/32	2⅞	9,100	2⅞-1	8⅜	1-22/100 share of common at $18.46 at any time
United Corp.	1/64	⅜	2,300	⅜-3/64	3⅛	$27.50 at any time
Ward Baking	——(e)	3⅞	——	4⅜-3½	10½	$12.50 from April 1, 1947 to March 31, 1951 and at $15.00 prior to April 2, 1956*

(a)—Issued August 1944. (b)—Issued May 1945. (c)—Issued May 1943. (d)—Issued July 1945. (e)—Issued October 1945.
*—Warrant entitles to purchase of one-half share only.

Editorial:

PRESERVING OUR WAY OF LIFE

Free men have to be independent men—whose roots reach into the foundations of our country. When I say independent, I don't mean bumptious. I refer to those who are the constructive builders—who plan for the future and yet who do not let life pass them as they move along.

Our country has been built on the stability of the individual units who have planned soundly and well—who do not seek wealth for the love of gold, but for the security that it brings to them and their families—to enable them to enjoy the beauty of this world which is here for all of us.

We need this kind of individual today more than ever to continue the work of the previous generations that have made this country great.

We dedicate our Building Your Future Income department to this purpose — to serve men in building up a reserve through every known means that will create stability — bringing the comforts and joys of life — and happiness.

It is our contribution, too, toward the firming of the foundation of our economy so that we will retain our status as free men and women in a new world.

To you, our subscribers, we extend an opportunity to assist in spreading this doctrine toward security and right thinking—in the schools and universities and in your own homes and offices.

We are happy to cooperate and serve.

C. G. WYCKOFF
Publisher

BUILDING YOUR FUTURE INCOME

Building Your Capital Through Insurance

BY E. A. MULLER

How to use insurance in estate planning, with special advice to the serviceman on his insurance problem

PROPER insurance has a place in any program of capital building—in fact it should be one of the very first steps. When a young man first begins to save, his initial savings should go into a savings account, naturally, for nothing is more vital to his morale, and to his security, than to possess in the form of savings protection against a rainy day, the wherewithal to meet sudden emergencies. It doesn't mean that he should pinch pennies and forego normal pleasures and diversions. But however little, he should save, and save systematically.

And when he is ready to settle down and think of his future, his next step should be insurance as a foundation for capital building. For next to savings, insurance gives us the confidence to strike out boldly and purposefully on the road to success. Even more than savings—unless these are very large—it can protect us against life's many contingencies that otherwise might severely disrupt our hopes and plans.

The object of this article is to acquaint readers in non-technical language with life insurance and its function in the financial program of individuals. Every one who is engaged in a gainful occupation is so engaged because he or she requires money to meet living expenses as well as to accumulate a surplus which can eventually become part of a future estate. "Estate," incidentally, can include many things; it can comprise such values as real estate, securities, life insurance or any other form of property. And possession of most property is either the reward of work, or the return from investments.

. . . few (service men) are continuing their insurance upon discharge . . .

Cushing

It is interesting to note that in the case of the average man, between 80% and 90% of his property values are derived from work and the balance from investments. His hope and earnest desire is gradually to reverse this ratio and let his money work for him. How long it will take him to achieve this depends largely on how much of his earned income he can save for investment in other property from which to derive this future income. In acquiring this income-earning property, he hopes to obtain a future income which can be guaranteed beyond question, since his own earning power which will provide an estate is subject to various hazards. Some of the most serious are (a) disability, (b) loss of job, (c) old age and (4) death. Life insurance can meet all of these.

Four Hazards

DISABILITY—If the insured is precluded by disability to make his payments, a Waiver of Premium clause attached to the policy continues the contract in force just as if payments had been made by the insured.

LOSS OF JOB—The Loan and Cash values will provide emergency funds which can be paid back at a later date.

OLD AGE—The income options in the policy will provide a guaranteed income for life.

DEATH—At any time will make immediately available the proceeds of the policy to the beneficiary.

The last being the greatest hazard can provide immediately the money equal to a lifetime of savings.

At this time when so many members of the Armed Services (both men and women) are "reconverting to civilian life," it is timely that they be acquainted with the values and benefits not only to themselves, but also their dependents in continuing their National Service Life Insurance. I was surprised to find that so few are continuing their insurance upon discharge and fewer are converting to permanent insurance.

Hence, it is my intention to explain and convince skeptics that their Government Life Insurance has a definite place in, and should therefore become an integral and indispensable part of, their future Estate Program.

As originally issued, National Service Life Insurance was issued on a 5 Year Term Plan (which is only temporary insurance as compared to permanent types). Under recent legislation, it has been extended for three years from December 31st, 1945 at the original issue premium rates. Certainly any individual should by all means continue this protection for a period suf- (*Please turn to page* 163)

YOUR HOME AS AN INVESTMENT

BY A. COLEMAN BLUM

SUBSTANTIAL citizens, by the terms of our American philosophy, are those who own the house in which they live.

We are, speaking in a comparative sense, a nation of home-owners; we believe in "home-ownership" as we believe in "hot dogs" and apple pie. Most Americans (non-home-owning), look forward to that happy day when they can become Americans (home-owning).

None would ask Americans to change this ideal. But, put to the test, the question of owning or renting is worthy of more than passing consideration.

In buying a house, the American family makes a common practice of considering only two of innumerable factors which should influence its decision on this vital question. These two are: 1. Rent Money is lost money. 2. Home ownership is security. Unfortunately, neither of these statements is, necessarily, axiomatic.

Most home-buyers, predisposed by the conditioning of advertising, governmental propaganda and our educational system toward the purchase of a home (almost any home), drag in these trite-isms as part of an "after-the-fact" rationale. Most buy their houses first, consider the attendant difficulties later. This, as anyone will agree, is not the correct order of things.

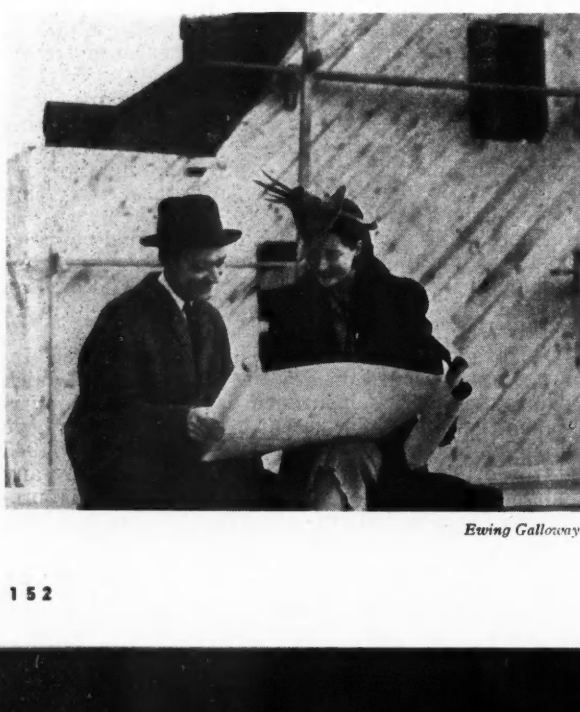
There are quite as many arguments for home-renting as there are for ownership, and it is only upon the merits of the individual case that a decision should be made.

On the side of home-owning are the following:

1. Money invested in a property and its fixtures is, at least partially, recoverable; while rent-expenditures are and remain forever money spent.

2. The owned property is yours, to alter, modify and reshape as you please. You are responsible to no one (except the law, the tax-office and various other hecklers from the sidelines) for your conduct on your property. (You may, for example, paint your "dream boat" a delicate combination of mauve and chartreuse and suffer nothing worse than acute symptoms of nausea). When — and if — you get through the not uncomplicated process of purchasing your home, it is permanently and irrevocably yours (always providing you pay your taxes on demand.)

3. Quite as important as either of the foregoing points is that intangible feeling of security and pride which the home-owner finds in his property.



Ewing Galloway

Arguments Against Home Owning

The arguments for home-renting, on the other hand, are not so much arguments for renting as arguments against owning. Their number is legion:

1. Mobility. The renter may shift from neighborhood to neighborhood, adjusting himself to changing conditions and surroundings. He need not remain within commuting distance of his present residence for the rest of his life. (Subletting is easier, quicker and less unprofitable than re-sale at short notice).

2. The renter pays a uniform monthly fee (which may in some cases cover heating, light). The owner may find himself confronted with innumerable unanticipated expenditures (special tax assessments, repairs, upkeep) which the renter transfers to his landlord.

3. Should a sudden reduction in income come to the home-owner he may easily lose not merely his present place of residence, but sacrifice, without any return, the entirety of his investment in the property. The renter merely moves to a cheaper apartment.

4. And so ad infinitum.

All this is because: most people do not have the money to purchase their homes outright; rather they make a down-payment and take out mortgages for the balance. Renters keep to their monthly, fixed fees.

These are some of the considerations which should be decided before purchasing a house:

1. Is the total monthly carrying charge (including taxes, public services, heating, repairs, mortgage interest and amortization, maintenance and property insurance) within your income range? For this, use as a standard the one applied on rentals: ¼ to 1/3 the total income.

2. How long must you pay for your home? (10 years? 20 years?) Will the house, when you finish paying, still be worth (*Please turn to page* 170)

So You Want To Go Into Your Own Business?

BY WILLIAM HOWELL

MOST people, at some time, cherish the hope of owning their own business. They can see themselves greeting a steady flow of satisfied customers, while the cash register chimes a merry accompaniment in the background. They are, "their own boss"—they are making money, more money than ever before, they are working less, and haven't a worry or care in the world. That's the stuff of which dreams are made.

Many Plan Their Own Business

Right now, high hopes of independence and security are being built around the dream of a small business by hundreds of thousands of men and women in, or lately in, the United States armed forces. But dreams have a habit of being followed by a rude awakening to a world of realities. That this is true should be no serious deterrent, however, for the realities in this instance may be practical ones. By accepting them for what they are—the sum and substance of much mature experience—and giving heed to them, many a prospective "business man" will most certainly save himself a lot of disappointment—and money, or he may found a successful business and the basis of future independence.

So you want to go into your own business? Are you sure that is what you want? Is it almost an obsession? Or have you made the decision because you think that it offers you an easy way to make a post-war living? Are you going to be willing to take off your coat, roll up your sleeves and pitch into some of the hardest work you have ever done? You will have to study, you may have to take a short training course of some sort. The hours may be long, and the returns meagre—at the start.

To establish a small, but successful, business requires a lot more than merely the urge and a little capital. Yet this will be about all of the equipment many of our erstwhile fighting men will have to begin their dream venture. During the war a lot of men in service were able to save money; they acquired new skills and technique; and the idea of returning again to their old job holds no appeal. Then, too, there can be no doubt that certain provisions of the G. I. Bill of Rights were responsible for planting the idea of their own business in the minds of many servicemen. By the terms of this Bill, the veteran can go to his local bank and borrow up to $4,000 to finance his business. Half of this amount will be guaranteed by the Government. As a matter of fact, the veteran can borrow any amount which he thinks he may need, provided he can also convince his bank, but the maximum Government guarantee is $2,000.

Unquestionably, the loan provisions were incorporated into the G.I. Bill of Rights for the purpose of helping the returned soldier by encouraging him to acquire his own business. But the framers of the Bill were also shrewd enough to place in the hands of the local bank the responsibility of determining the fitness of the applicant as a credit risk, his qualifications for the business which he has selected, and the chances of ultimate success. Obviously, the bank officer who is handling the application is much better able to advise the veteran and pass on his loan than some individual in faraway Washington.

Many G.I. loans have already been granted. There have also been a lot of applicants turned down. When the veteran's request for a loan has been denied, the chances are that he went away grumbling that the bank stood in the way of his getting something that was his by right of his service. When the bank makes a loan, there are certain safeguards which, through experience, have been found necessary to insure a profit and protect the bank's solvency. When the bank feels obliged to reject a loan application, it is turning away a customer. In his own business, the veteran would find that he too would have to set up safeguards, and might occasionally be obliged to turn down a customer seeking credit or some special concession. .

Apparently as a result of an increasing number of rejections of veterans' loans, there is talk in Washington of liberalizing the provisions of the Bill. Without more complete knowledge as to the reasons for these rejections, the writer is not prepared to argue the wisdom of making it easier for the veteran to borrow. It is a pretty safe assumption, however, that among (*Please turn to page* 172)

. . . to establish a small successful business requires more than merely the urge and capital . . .

Cushing

Opportunities for Income and Appreciation

BY JACKSON D. NORWOOD

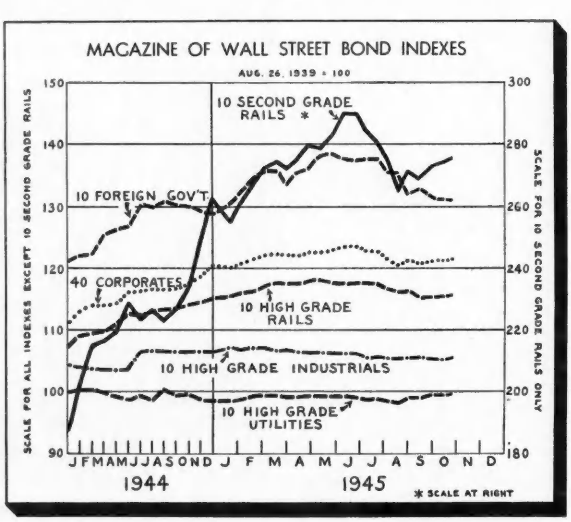
MARKET TRENDS: The Magazine of Wall Street's index of bond prices showed the following changes during the period indicated:

	On Oct. 13	On Oct. 27	
Forty Corporate Bonds	121.3	121.6	+ .3
Ten High Grade Rails	115.7	115.9	+ .2
Ten Second Grade Rails	274.2	275.5	+ .3
Ten High Grade Utilities	99.4	99.5	+ .1
Ten High Grade Industrials	105.1	105.4	+ .3
Ten Foreign Governments	131.2	131.0	— .2

The closing days of October found underwriters' shelves pretty well cleaned up of new issues. Private issues may be offered up to November 15, after which time the Victory Bond drive will have exclusive claim on bond buyers' attention until its culmination in December. The Drive started in an atmosphere of impressive strength in virtually all sections of the bond market, and the rapidity and prices at which new offerings were absorbed clearly showed that investment demand is anything but satiated. It has been estimated that total new offerings in October amounted to approximately $850 million. The closing weeks of the year will probably bring a sizable number of refunding issues, as corporations avail themselves of the final opportunity to charge redemption premiums against excess profits taxes.

The Victory Loan has been set at $11 billion, with $2 billion Series E bonds set aside for sale to individuals. Despite the probability that the Loan will be heavily oversubscribed, the latter issues may be the most difficult to move. With an $8 to $9 billion oversubscription it may be that the Federal Government will not find it necessary to enter the market next year for new funds. By the year-end the total national debt will stand at upwards of $280 billion.

INTERNATIONAL TEL. & TEL. Deb 5's 1955 . . . Early in October, announcement was made that International Tel. & Tel., was negotiating a loan of $30,000,000 which was to be used, together with cash on hand, for the redemption of the $45,700,000 outstanding debentures 5's due 1952. More recently it has been announced that these negotiations have been dropped. No reasons were given. The probabilities are that this financing has been only temporarily postponed and on this assumption the debenture 5's may be considered for investment of short term funds.



The company has appreciably strengthened its position in recent years and funded debt has been accorded greater protection. Recent earnings show fixed charges being earned slightly better than twice over. Earlier this year the company concluded an arrangement for the sale of its interest in the Spanish telephone company to the Spanish Government. Under the terms of this arrangement International was permitted to repatriate $33 million in U. S. funds, together with an annual amount of some $2 million. This was a highly favorable development. In recent years the company's domestic manufacturing activities have been growing in importance. These are vested in the Federal Telephone & Radio Corp. which, as part of its postwar program, will intensify the manufacture of a full line of electronic products as well as the older lines of electric communication equipment.

The debenture 5's are callable on 60 days' notice at 105, and are currently quoted fractionally below that figure, to return a liberal yield for temporary funds. The debenture 4½'s 1952, quoted at 103, are not callable until 1947 and yield a current return of about 4.3 per cent. The issue is likewise an attractive medium grade investment.

NOTES . . . Holders of California Electric Power 5¼% prior preferred shares, if their shares are among the 4,000 shares called for redemption, have until November 26 to convert their holdings into common stock. The conversion is on the basis of 12 shares of common for each share of prior preferred. . . . A semi-annual interest payment of 2% on International Hydro-Electric 6's 1944 was authorized and became payable November 1. . . . Holders of Pennsylvania Power Co. $5 preferred shares are being offered the privilege of exchanging, share for share, for new $4.25 preferred. . . . Dividends on Niagara Hudson Power $5 first preferred are expected to be resumed in the near future. Accumulations total about $17.25. . . . On December 3, A. G. Spalding & Bros., Inc., will redeem 3,000 shares of preferred stock at $50. Called shares may be exchanged for four shares of common stock up to the date of redemption. . . . Allis Chalmers will call on November 23, 100,000 shares of 4% preferred stock. Called shares may be converted into common at the rate of 2½ shares of common for each share of preferred, prior to close

In Bonds and Preferred Stocks

of business November 23. . . . Central R.R. of New Jersey has been granted until April 13, 1946, to complete reorganization plans.

PREVIOUS RECOMMENDATIONS: Although General Steel Castings 5½'s 1949 are quoted at 1½ points above their call price of 102½, the issue still merits consideration for income. Stokely-Van Camp 5% preferred has likewise moved to levels slightly above the call price of 21, but an early call seems unlikely and the shares are a sound investment issue. Other recent recommendations which bear repeating at this time include Pittsburgh Steel 1st 4½'s 1950 at 105, discussed in the issue of October 13, and the Southern Pacific debenture 4½'s 1969 at 100⅞, recommended in the issue of October 27 in these columns.

B. F. GOODRICH: B. F. Goodrich 5% preferred shares are a sound industrial medium, obtainable at 103 to yield 4.8 per cent. Over the past decade the company's earnings have fluctuated widely in line with cyclical business swings but under reasonably normal conditions coverage for preferred dividends has been adequate. In the first half of the current year, net available for preferred dividends was equal to $13.64 a share, against $12.73 in the same months of 1944, and for all of 1944, better than $29 a share was shown. Average earnings on the preferred for the past four years have been $20.32 a share.

Recent years have brought considerable improvement in the company's financial position; working capital has increased and earlier this year a refunding operation left the company with a single issue of funded debt — $35 million 2¾% bonds due 1965. The balance sheet at the end of last June showed cash items of $16.4 million, total current assets of nearly $121 million, and current liabilities of less than $28 million. The company has promising post-war prospects, foreshadowing further improvement in finances and important earnings gains. There are 412,031 shares of 5% preferred outstanding ($100 par) and at recent prices for the common stock, a junior equity of over $92 million is shown. Call price is 100.

ELECTRIC PWR. & LGT.: Recently Electric Pwr. & Lgt. 7% preferred shares sold at 152½, a new high. At this level, the issue, on which no dividends are currently being paid, is quoted only slightly lower than U. S. Steel 7% preferred, for example. In 1944 the shares sold as low as 81½. The extent of the price recovery reflects developments affecting the company's ultimate simplification. No plan has as yet been proposed but resumption of preferred dividends next year appears to be a reasonable expectation. Company's subsidiaries have concluded successful financing arrangements and in the near future, Dallas Pwr. & Lgt. will be sold to American Pwr. & Lgt. Funds realized from this transaction will be used, in all probability, to retire debentures. Eventually, it is believed, that assets will be sufficient to cover fully the preferred shares, plus accrued dividends, which in the case of the 7% issue total nearly $90 a share at the present time.

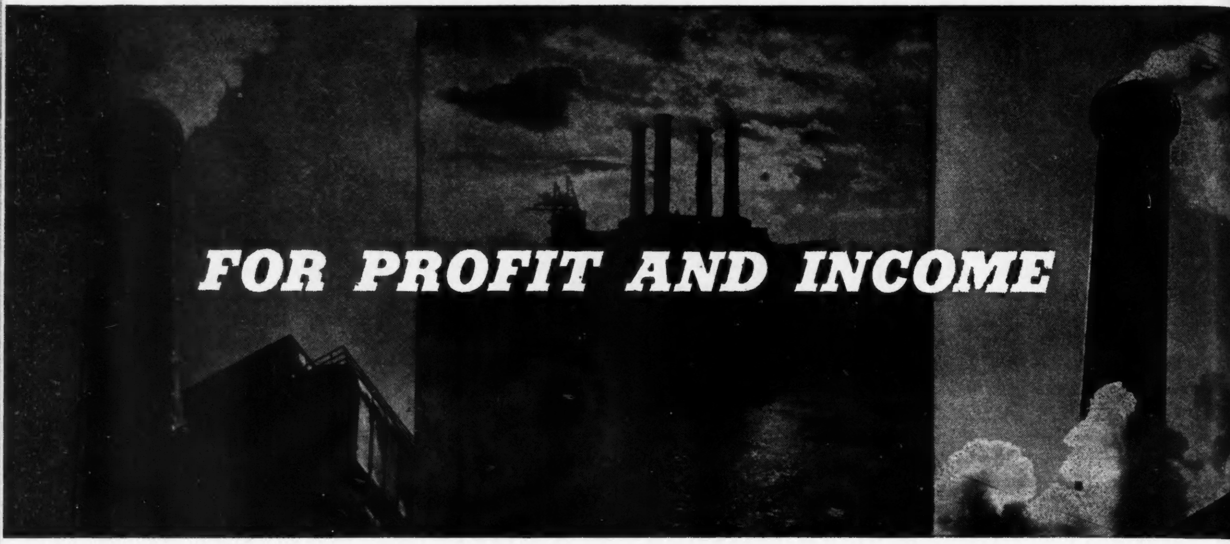
BUDD MFG.: For those investors in a position and willing to acquire preferred stocks of a somewhat speculative calibre, the 5% preferred shares of Budd (E. G.) Mfg., would seem to have considerable appeal both from an income and possible price appreciation standpoint. The issue was recently quoted at 95. Company's past earnings have shown the wide variations common to the automobile body and railway car fields, in both of which Budd is a prominent factor. Coverage for preferred dividends over the past four years has ranged from $9.92 a share in 1941 to nearly $25 in 1943. Last year the net available for preferred dividends amounted to $12.50 and in the first six months this year, $5.60 a share was available.

The company has what amounts to a double-barreled post-war opportunity. Not only will it benefit from the long pent-up demand for new automobiles, but there exists also a national shortage of modern railway rolling equipment. The company's business is divided among these two fields about two-thirds and one-third respectively and combined volume for several years is expected to be triple that of pre-war business. A $16 million program of expansion has been initiated and next year, earnings should be considerably bolstered through repeal of excess profits taxes. Actual evidence of improved earnings would doubtlessly warrant higher levels for the preferred shares. Call price —100.

Issues Called for Redemption

INDUSTRIAL AND UTILITY	Amount	Call Price	Call Date
Allis-Chalmers Mfg. 4% Pfd.	100,000 shares	$104*	Nov. 23
Amer. Tel. & Tel. 3¼'s 1966	Entire issue	105	Dec. 1
Armstrong Cork 4% Pfd.	Entire issue	100*	Dec. 15
Crown Zellerbach $5 Pfd.	Entire issue	102½	Dec. 1
Detroit Edison Gen. & Ref. 4's 1965	$19 million	105½	Dec. 31
California Elec. Pwr. 5¼% Pfd.	4,000 shares	108½	Dec. 1
Harris-Seybold-Potter 5's 1951	Entire issue	101	Dec. 5
Kingsbury Breweries 1st 5's 1946	Entire issue	100½	Dec. 1
Minnesota Pwr. & Lgt. 1st & Ref. 5's 1955	Entire issue	102	Dec. 1
Pacific Tel. & Tel. Ref. 3¼'s 1966	Entire issue	107½	Dec. 1
Phelps Dodge 3½'s 1952	Entire issue	103	Dec. 15
RAILROADS			
Atch. Top. & S. F. 4's 1955	Entire issue	110	Dec. 1
Canadian National 3's 1950	Entire issue	100	Dec. 15
Great Northern General 4½'s 1977	Entire issue	(a)	Dec. 31
Great Northern General 3¾'s 1967	Entire issue	104	Jan. 1
Louisville & Nashville Unif. 4's 1960	Entire issue	104	Jan. 1
Northern Pacific Ref. & Imp. 6's 2047	Entire issue	110	Jan. 1
Southern Pacific 1st & Ref. 4's 1955	Entire issue	105	Jan. 1

*—Convertible privilege. (a)—This is a prepayment offer at varying amounts.



FOR PROFIT AND INCOME

Another Test

As we write the Dow industrial average looks as if it is about to rise above the previous high, while the utility average is already in new high ground. Strength in utilities doesn't square with the inflation talk generated by the President's wage-price statement —but, then, a bull market can make hay out of most anything. Whether an important extension of the general rise is in the cards is uncertain. There is bound to be some concern over the threatened industrial profit squeeze of the next six months or so; and the market is also up against something of a seasonal jinx, for in many more years than not there has been some net decline during the last six weeks of the year. In any event, there is tough resistance to plough through all the way from 187 to 196 in the Dow industrial average.

Shifting Preference

To search for reaction-proof stocks is a pretty fruitless undertaking. They nearly all go down when the sledding gets tough. To be sure, income-issues (for example, operating utilities, good food stocks, drug equities, etc.) go down less than the averages. But since speculative-investors don't want these, that's no answer. On a perspective of 6 to 12 months, this department has an idea that selected retail trade stocks—those which have not advanced out of reason—are likely to increase in relative speculative-investment appeal, whether or not they temporarily retreat a bit in general market correction. They have an excellent volume outlook, without any reconversion interlude. Earnings will be sharply higher on the 38% tax basis after December 31. They have a much less adverse labor outlook than the manufacturing industries. Finally, if there is any considerable price inflation after OPA expires, they'll fare all right in that, too. To cite a few, Allied Stores, Lerner, Federated Department Stores and Marshall Field are selling now less than 10 times probable 1946 earnings per share.

Snuff Companies

The long-term dividend records of American Snuff, Helme and United States Tobacco have impressed many a conservative investor. In important degree these companies have been casualties of the war, present dividend payments being considerably under prewar averages. With the return of peace the stocks have met with somewhat better demand on the assumption that the snuff business faces brighter days. Unfortunately, it is a questionable assumption. The industry has been hit by higher normal taxes and increased costs, rather than by the excess profits tax. Good past earnings were made on lower costs and tax rates around 16%. Costs are likely to stay high and taxes will be much over double the prewar rate. Therefore, snuff companies could get back to former profits and dividends only through large volume expansion —and no appreciable expansion seems on the cards. The past record is exactly that. We mean past.

Hard to Find

Several of this department's pointers of the past month or so have worked out sooner and faster than we had expected. Atlas warrants were at 4⅜ when we were writing about them for our September 29 issue. They are now at 6⅞. Loose-Wiles was around 55 when we noted its tax-relief potentials in the issue of October 13, and has since advanced to 73. Hiram Walker, 74 when we picked it for a pat on the back for the September 29 issue, has recently been as high as 91. Sorry we haven't some more in stock right now like the latter two, combining market sex appeal with good quality. But the larder is running low. Besides, for the present we are feeling — well, conservative and something less than venturesome.

Sears, Roebuck

Stock splits, as we have preached before, make a stock sell higher but don't add any intrinsic value unless the total dividend distribution is increased; and in the latter case it's the dividend which adds value rather than the split. Recent high of 38½ for the split Sears, Roebuck equalled 154 for the old stock. The yield is less than 2.8% and would be only about 3.2% if the new stock as is rumored, is put on a $1.25 divi-

dend basis. It is selling at over 25 times estimated share earnings for the present fiscal year, ending next January 31. However, on a 38% tax basis, Sears might earn around $2.70 a share. It is priced at 14 times that. No doubt some premium is warranted, but less popular retail stocks, of the type mentioned early in these notes, appear relatively cheaper.

The More You Lose

Under the workings of wartime tax law it almost seems that the more some companies lose the bigger is the profit. For the third quarter Bethlehem Steel lost over $27 million, before taxes, but with credits for defense plant amortization, carry-backs and what not, it came out with net income of $7.7 million, or more than was recorded in the third quarter of last year when the company's business was booming. Against this, Libbey-Owens-Ford, poorly heeled with tax cushions, fell to 3 cents a share net for the quarter, from 60 cents in the prior period and 78 cents for the like quarter of 1944. Bookkeeping can do some strange things. However, the market seems quite indifferent to poor earnings caused by transitional factors alone. L-O-F has reacted scarcely at all. Of course, its post-reconversion prospect is favorable; but in the automotive field it seems to this department that Electric Auto-Lite, at about 4 points less than L-O-F in price, offers considerably greater values, both current and prospective.

Rail Capitalizations

Despite opposition from old-company shareholders, the ICC remains adamant in demanding drastic scaling down of debt and fixed charges in all rail reorganizations. While the carriers eventually will no doubt come upon much leaner times than they have now, if there are some bankruptcies they will be among the solvent border-liners of recent years rather than among those which have gone through the wringer. To cite just a few examples, "Soo Line's" fixed charges were reduced by 99.4%; Florida East Coast by 99.3%; Rock Island, 86.9%; Alton, 80.5%; Chicago & North Western, 79.6%. Very few have been cut less than 50%. Probably the best rails are the top-grades such as C. & O, Union Pacific, L. & N., and Atchison on the one hand; or selected reorganization issues on the other hand—and not the "Mister In-Betweens" such as New York Central, Southern Railway, Illinois Central, Baltimore & Ohio, etc.

STOCKS RECENTLY SHOWING ABOVE AVERAGE MARKET STRENGTH

Allen Industries	Loose Wiles
Am. Home Products	Mead Corp.
Am. Steel Fdrs.	Nat. Distillers
Am. Tel. & Tel.	Penney, J. C.
Bristol Myers	Schenley Distillers
Crown Cork	Texas Gulf Sulphur
Detroit Edison	
Freeport Sulphur	
Inter. Paper	Union Bag & Paper

Ex-Cell-O

While machine tool volume was soaring during the war, to a peak in 1943, Ex-Cell-O did very little in the market. Its 1943 high of 29¼ compared with highs around 25 to 30 in most of the years between 1937 and 1941. But as war business receded the stock began to climb, hitting 47½ in 1944. It rose further this year, slipped off sharply, then rebounded recently to a new high around 59. That's a new all-time high—not just for this bull market. Although the company is well-situated for peace time machine tool business, the allure of the stock centers in its patented Pure-Pak milk packaging machine, which it leases rather than sells. On the small capitalization (only 398,806 shares) this specialty might produce a spectacular gain in net per share within a year or two, unless some competitor can match it. Ex-Cell-O can't be called a "mystery stock," since the basis for its appeal is no secret, yet it is a mystery what the company might actually earn and just when. Those who have to guess in the dark can make—or lose—much money in situations like this.

National Distillers

This writer would not like to guess at what point the liquor stocks may be too high. They—and their huge earnings — have surprised most everybody. If good earnings are to continue for some time, it must be admitted that market prices prevailing only a few months ago were untenably low. For instance, given a duplication of 1944 volume and pre-tax earnings, National Distillers next year could net about $9.50 a share on a 38% Federal tax basis and pay considerably more than the present $2 dividend. When margins will begin to shrink is a moot question, but well-informed people in the trade believe the profit outlook is bright for at least another year.

Some More

Tax relief is no longer news, but it spells money in the till; and money is never a stale subject. Here are some samples of last year's per share earnings adjusted to a 38% tax and compared with actual figures: Beneficial Industrial Loan $2.51 versus $1.93; H. L. Green $7.67 versus $4.01; National Biscuit $2.63 versus $1.16; Chesapeake & Ohio $5.36 versus $3.51; National Dairy $4.59 versus $2.13; Woolworth $3.14 versus $2.35. Since none is subject to wide volume slump, gains in 1946 earnings should be handsome, whether or not they come up to the illustrative figures cited here. On the basis of policy, as well as better earnings, the most assured coming dividend increases probably are those of Beneficial Loan, National Biscuit and Woolworth, all now paying considerably less than maximum prewar rates.

Bank Stocks

Banks derive considerable income from bonds exempt from normal Federal tax but subject to surtax. Aside from EPT repeal, the tax cut voted by Congress is all in the surtax: from 16% to 14%. While only 2 percentage points, this levy is reduced by 12½%. That's a tidy savings for banks. They have been doing well anyway, as witness the growing number of stock dividends, with higher total cash distributions. Among the best stocks are Chase, Manufacturers Trust, Chemical, Bank of America and National City.

Answers to Inquiries

The Personal Service Department of THE MAGAZINE OF WALL STREET *will* answer by mail or telegram, a reasonable number of inquiries on any listed securities in which you may be interested or on the standing and reliability of your broker. This service in conjunction with your subscription should represent thousands of dollars in value to you. It is subject only to the following conditions:

1. Give all necessary facts, but be brief.
2. Confine your requests to *three listed securities;* one request per month.
3. No inquiry will be answered which does not enclose *stamped, self-addressed envelope.*
4. No inquiry will be answered which is mailed in our postpaid reply envelope.
5. If not now a paid subscriber use coupon elsewhere in this issue and send check at same time you transmit your inquiry.

Special rates upon request for those requiring additional service.

To Safeguard Profits

I have been investigating the advisability of changing my portfolio since I have considerable cash that is idle, so I am using one stock as an example—

I own 20 shares of Eaton Mfg. Co., which cost me $45.00 per share and I propose to buy 20 more at the market which at the moment is 66, thus making the average cost per share of 55½.

I would then place a stop loss order with my broker at say 60 on all the 40 shares, thus I would protect myself against loss. Should the stock advance I would raise the stop accordingly.

I propose to do the same with other stocks that show a good profit. What is your reaction to my suggestion?

—H. E., Milwaukee, Wisc.

Your idea of increasing your modest holdings of EATON MFG. CO., and your other securities which have favorable prospects, and then placing a stop loss order to protect profits, is a good one. However, we must caution you as to one aspect of stop orders. Many investors have the erroneous idea that an order placed to sell, say 100 shares of U. S. Steel at "70 stop," placed when the stock is selling at 72, will be executed at 70 when the stock declines to that price. Actually, the order merely becomes an instruction to the broker to sell at the market as soon as another sale of U. S. Steel takes place at 70 or below. It may be executed at any reasonable price near 70.

One way to get around a situation like this would be to place an order reading something like this. "Sell 100 shares of U. S. Steel at 70 stop, limit 69½." This should give the broker instructions not to sell the stock unless he gets 69½ or better.

We recommend employing "movable stops" that is raising your stop price as the stock advances.

Desires New Investments

I would appreciate your advices as to how best to invest $4500 at the present time. For your convenience in replying, I am enclosing a stamped, self-addressed envelope.

In order to aid you, I wish to advise that I am employed, so that capital growth is the main objective. I must have been fast asleep when I failed to follow your suggestion in the Magazine about Borg-Warner being "An excellent speculation," as well as the possibility of American Tobacco advancing to 100. It is practically there now, and Borg-Warner crossed 52 today (Woe is me!) Your advice arrived early enough to have taken advantage of either stock at the prevailing low price prior to the last "rise."

I am a subscriber to your excellent Magazine and would have done very well in several instances if I had acted on your advice in time.

—S. M. S., San Francisco, Calif.

We note your regret that you did not purchase securities recommended in our magazine. However, there will be other opportunities as the stock market continues to function.

Our security analysts are constantly scanning the list for securities that are attractive and we shall present our findings in the magazine.

We will present diversified investment programs in coming issues of our Magazine that will offer employment for the funds you have available.

We suggest you be guided on market outlook by A. T. Miller, appearing regularly in our publication.

Erie Railroad

Will you please advise the recent earning trend of Erie Railroad? I wish to take this opportunity to state that your Magazine has proven very helpful.

—R. B., Canton, Ohio

Erie Railroad net was off sharply during September, the latest month that a report was issued, although the road showed lower taxes, due principally to adjustment of accruals for Federal income and excess profits taxes. The road added $605,770 to operating income in this manner, compared with tax accruals of $1,779,170 in September 1944, or a decrease of $2,404,940. Net income for the month, after all charges, was $210,616, compared with $1,134,608 a year ago. September gross amounted to $9,861,310, compared with $13,067,466 last year. However, operating expenses were only off slightly, totaling $9,125,990, compared with $9,167,845 in Sept. 1944.

For the nine months ended September 30 tax accruals were down $8,943,812, or 51.84 per cent from a year ago. Net for the nine months was well maintained, totaling $5,248,541 compared with $5,468,627 in the corresponding period of 1944.

Nine months gross amounted to $79,591,205 compared with $86,840,568.

Carloads originating on the Erie and received from connecting roads for the first seventeen days of October were off 2.2 per cent compared with last year.

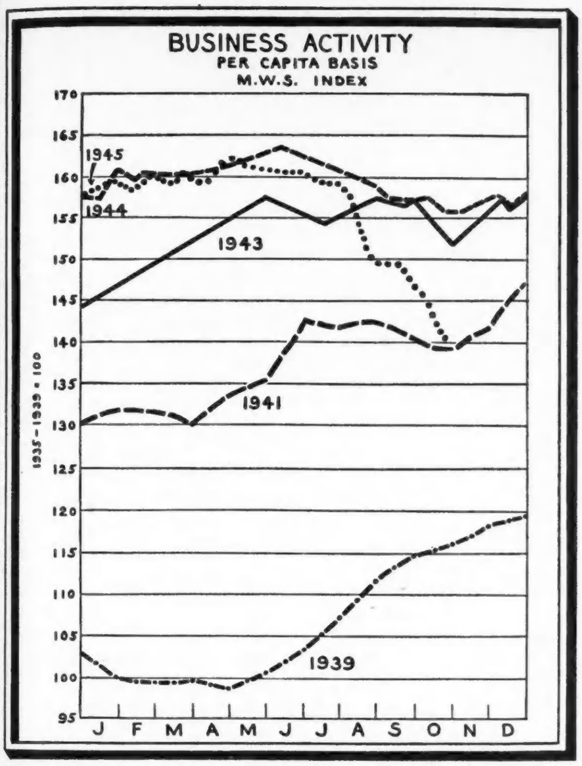
Magazine of Wall Street Common Stock Index

As a subscriber to your Magazine, I have noted, with interest, that you very often mention your Composite Weekly Index of 290 stocks.

I would like very much to receive this list of stocks which comprise this Index.

—R. A. K., Philadelphia, Pa.

The Index will be found on page 164.



SUMMARY

MONEY AND CREDIT—Washington forecasters predict that Federal budget can be balanced at $21 billion by mid-1947. Prominent economist warns of inflation danger.

TRADE — Department store sales in week ended Oct. 20 were 13% above last year, against gains of only 10% for four weeks and 11% for year to date.

INDUSTRY — Business activity rallies sharply upon resumption of operations at coal mines and oil refineries, after slumping during the week ended Oct. 20 to within 1.5% of the 1941 level.

COMMODITIES—Futures rise to highest levels in 20 years under heavy foreign and domestic demand and shortage of box cars to move grains. Red point rationing slated to end this year.

The Business Analyst

Settlement, for the time being at least, of the coal and oil strikes brought sharp recovery of around 2% in the nation's physical volume of **Business Activity** during the week ended Oct. 27. In the preceding week, this publication's weekly business index was down 13.3% from the all-time high touched during the week ended May 5 and, on a per capita basis, was only 1% above where it stood on the like date in 1942 and only 1.5% above 1941.

* *

Department Store Sales in the week ended Oct. 20 were 13% ahead of the like period in 1944, compared with gains of 10% for four weeks and 11% for the year to date.

* *

Realty interests are moving heaven and earth to persuade Congress and the Administration to take the lid off property prices and rents, while the OPA with equal vigor, but less influence, urges the need for continued controls after June 30 next when price control will end automatically, unless Congress votes an extension.

* *

Realtors claim that costs are up and insist that there is no money in their business under present

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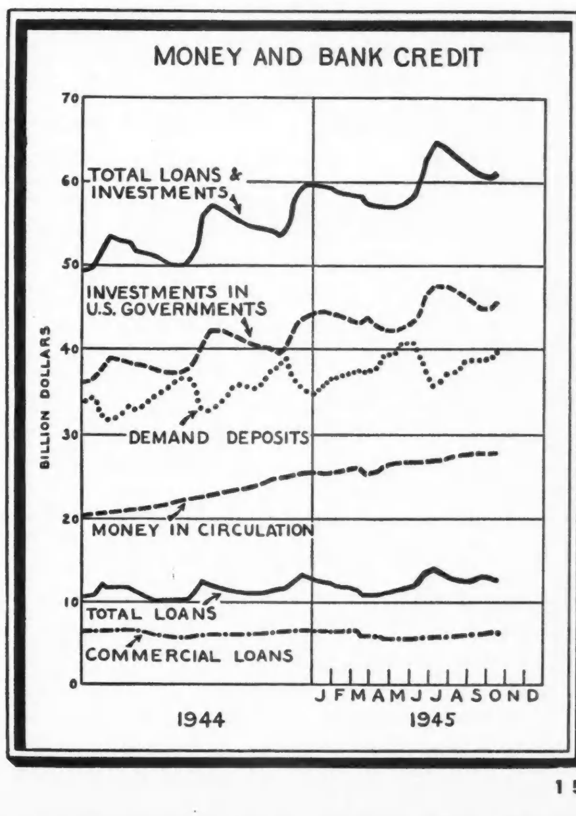


Inflation Factors

	Date	Latest Wk. or Month	Previous Wk. or Month	Year Ago	Pre-Pearl Harbor
MILITARY EXPENDITURE (tf) $b	Oct. 24	1.09	1.03	1.72	0.43
Cumulative from Mid-1940	Oct. 24	313.5	312.4	228.0	14.3
FEDERAL GROSS DEBT—$b	Oct. 24	261.5	*261.6	209.9	55.2
MONEY SUPPLY—$b					
Demand Deposits—101 Cities	Oct. 24	39.9	39.4	37.4	24.3
Currency in Circulation	Oct. 24	28.0	28.0	24.2	10.7
BANK DEBITS—13-Week Avge.					
New York City—$b	Oct. 24	6.13	6.12	5.24	3.92
100 Other Cities—$b	Oct. 24	7.18	7.17	7.24	5.57
INCOME PAYMENTS—$b (cd)	Aug.	12.74	13.58	12.58	8.11
Salaries & Wages (cd)	Aug.	9.09	9.44	9.30	5.56
Interest & Dividends (cd)	Aug.	0.50	0.96	0.49	0.55
Farm Marketing Income (ag)	Aug.	1.83	1.81	1.69	1.21
Includ'g Govt. Payments (ag)	Aug.	1.88	1.91	1.74	1.28
CIVILIAN EMPLOYMENT (cb)m	Sept.	51.2	53.5	54.0	52.6
Agricultural Employment (cb)	Sept.	8.8	9.0	9.3	8.9
Employees, Manufacturing (lb)	Sept.	12.1	13.8	15.8	13.6
Employees, Government (lb)	Sept.	5.9	5.9	6.0	4.5
UNEMPLOYMENT (cb) m	Sept.	1.6	0.8	0.7	3.4
FACTORY EMPLOYMENT (lb4)	Sept.	123	142	166	147
Durable Goods	Sept.	142	181	224	175
Non-Durable Goods	Sept.	109	112	120	123
FACTORY PAYROLLS (lb4)	Aug.	257	286	335	198
FACTORY HOURS & WAGES (lb)					
Weekly Hours	July	44.0	44.6	44.6	40.3
Hourly Wage (cents)	July	103.3	103.9	101.8	78.1
Weekly Wage ($)	July	45.42	46.34	45.43	31.79
PRICES—Wholesale (lb2)	Oct. 20	105.5	105.3	103.8	92.2
Retail (cdlb)	Aug.	142.2	142.4	138.6	116.1
COST OF LIVING (lb3)	Aug.	129.2	129.4	126.4	110.2
Food	Aug.	140.9	141.7	137.7	113.1
Clothing	Aug.	146.2	145.7	146.2	113.8
Rent	Aug.	108.3	108.3	108.2	107.8
RETAIL TRADE $b					
Retail Store Sales (cd)	Aug.	6.15	5.76	5.79	4.72
Durable Goods	Aug.	0.91	0.89	0.84	1.14
Non-Durable Goods	Aug.	5.24	4.87	4.95	3.58
Dep't Store Sales (mrb)	Aug.	0.47	0.44	0.46	0.40
Retail Sales Credit, End Mo. (rb2)	Aug.	2.15	2.17	2.04	5.46
MANUFACTURERS'					
New Orders (cd2)—Total	Aug.	144	183	203	181
Durable Goods	Aug.	77	180	231	221
Non-Durable Goods	Aug.	182	185	186	157
Shipments (cd2)—Total	Aug.	228	247	264	183
Durable Goods	Aug.	274	320	366	220
Non-Durable Goods	Aug.	196	197	193	155
BUSINESS INVENTORIES, End Mo.					
Total (cd)—$b	Aug.	26.8	26.4	27.7	26.7
Manufacturers	Aug.	16.3	16.2	17.2	15.2
Wholesalers'	Aug.	3.8	3.7	4.0	4.6
Retailers'	Aug.	6.7	6.5	6.5	7.2
Dept. Store Stocks (rb)—I	Aug.	186	188	171	139

PRESENT POSITION AND OUTLOOK

(Continued from page 159)

ceilings. They assert, quite logically, that more building is the only remedy for the acute housing shortage and that the way to get more building is to permit higher prices and rents. The OPA, pointing out that more than 3 million families are at present doubled up, insists, also quite logically, that to remove controls before the housing supply returns to more nearly normal would be to invite ruinous **Inflation.**

* * *

The plain facts in the matter are that **New Building,** despite the squawks, is even now in considerably larger volume than last year and would be much greater were it not for acute shortages of such materials as lumber, brick, tiling, and clay and cast iron pipe. It would help a lot if a way could be found to settle the three-months-old lumber strike.

* * *

Government economists have sharpened their statistical pencils again and brought another miracle rabbit out of their hats. They announce that basic **Wage Rates** can be raised 24% without increasing prices, and President Truman is reported to be much impressed by the trick.

* * *

It's very simple when you know how. Just turn over to labor the **Tax Savings** voted to business by Congress: then cut out overtime pay and slash incentive bonuses. These contributions — supplied 50-50 by capital and labor, but all going to labor — add up to 24% of gross earnings and, since payrolls are supposedly less than gross earnings, it is urged that **Profits** should rise with the higher wages.

* * *

Even so, these same statistical magicians figure that, with **Unemployment** "guestimated" at 8 million by next April, there will be a decline of $35 billion, or 20%, below last year in total wages. We suspect they are right about the decline in payrolls; but are inclined to discount the official gloom over prospective unemployment. The time will come when folks, through sheer force of circumstances, will have to quit striking and vacationing and shopping around for war-time pay, and get back to their former peace-time jobs, in or out of the home, as the case may be.

* * *

Dr. Benjamin M. Anderson, formerly economist for the Chase National Bank, and now professor of economics at the University of California, advocates prompt funding of the Government's debt into long-term bonds at interest rates high enough to attract investors' savings. This would serve as a brake upon the present **Inflationary Spiral.**

* * *

"If bank credit expansion were to stop today, **Interest Rates** would forthwith rise. If it is not

PRODUCTION AND TRANSPORTATION

	Date	Latest Wk. or Month	Previous Wk. or Month	Year Ago	Pre-Pearl Harbor
BUSINESS ACTIVITY—I—pc	Oct. 20	140.8	142.2	156.2	141.8
(M. W. S.)—I—np	Oct. 20	152.0	153.6	166.6	146.5
INDUSTRIAL PROD. (rb)—I—np	Sept.	172	187	230	174
Mining	Sept.	135	140	143	133
Durable Goods, Mfr.	Sept.	208	243	342	215
Non-Durable Goods, Mfr.	Sept.	154	157	168	141
CARLOADINGS—t—Total	Oct. 20	773	755	906	833
Manufactures & Miscellaneous	Oct. 20	369	352	419	379
Mdse. L. C. L.	Oct. 20	114	114	108	156
Grain	Oct. 20	60	54	57	43
ELEC. POWER Output (K.w.H.) m	Oct. 20	3,915	3,934	4,345	3,267
SOFT COAL, Prod. (st) m	Oct. 20	5.8	6.1	11.8	10.8
Cumulative from Jan. 1	Oct. 20	458	452	507	446
Stocks, End Mo.	Aug.	51.1	49.9	63.9	61.8
PETROLEUM—(bbls.) m					
Crude Output, Daily	Oct. 20	4.2	3.8	4.7	4.1
Gasoline Stocks	Oct. 20	71.2	70.7	77.7	87.8
Fuel Oil Stocks	Oct. 20	45.8	45.5	64.1	94.1
Heating Oil Stocks	Oct. 20	42.9	42.0	46.8	54.8
LUMBER, Prod. (bd. ft.) m	Oct. 20	283	259	615	632
Stocks, End. Mo. (bd. ft.) b	Sept.	3.2	3.3	3.4	12.6
STEEL INGOT PROD. (st.) m	Sept.	6.01	5.74	7.24	6.96
Cumulative from Jan. 1	Sept.	61.9	55.9	71.9	74.69
ENGINEERING CONSTRUCTION AWARDS (en) $m	Oct. 25	58.4	73.1	22.2	93.5
Cumulative from Jan. 1	Oct. 25	1,736	1,677	1,507	5,692
MISCELLANEOUS					
Paperboard, New Orders (st)t	Oct. 20	116	160	156	165
Waste Paper Stks., End Mo. (st)t	Aug.	191	199	164	167
U. S. Newsprint Consumption (st)t	Sept.	305	290	262	352
Do., Stocks, End Mo.	Sept.	436	463	549	523
Wood Pulp Stks., End Mo. (st)t	Aug.	72.8	78.4	72.2	98.5
Anthracite Coal Production st)m	July	4.6	4.9	5.5	3.8

PRESENT POSITION AND OUTLOOK

(Continued from page 160)

stopped, we shall have a tremendous inflation. The choice is not between low interest rates or high; but between moderate and manageable reversal of the low-interest policy now and involuntary submission to very high interest rates at a later date."

* * *

Dr. Anderson warns that the U. S. A. is already farther along the road to inflation than France was at the end of World War I when her debt was 49% of her national wealth; whereas our Federal debt has reached 59.5% of the national wealth by the end of 1944. During the first world war, **Money in Circulation** in France rose more than 230%. In the U. S. A., circulation has risen 270% since 1939.

* * *

A rise in Government interest rates, reasons Dr. Anderson, would make a market for securities the banks now hold, thereby pulling cash out of circulation, increasing excess reserves, and bringing a reduction in service charges on demand deposits. This should ease interest rates for private commercial borrowers—or would it?

* * *

Budget soothsayers in Washington predict that the **Federal Budget** can be balanced by mid-1947 at around $21 billion, of which $11.5 billion will be war-incurred.

Ag—Agriculture Dep't. b—Billions. cb—Census Bureau. cd—Commerce Dep't. cd2—Commerce Dep't., Avge. Month. 1939—100. cdlb—Commerce Dep't. (1935-9—100), using Labor Bureau and other data. en—Engineering News-Record. I—Seasonably adjusted Index, 1935-9—100. lb—Labor Bureau. lb2—Labor Bureau, 1926—100. lb3—Labor Bureau, 1935-9—100. lb4—Labor Bureau, 1939—100. lt—Long tons. m—Millions. mpt—At Mills, Publishers and in Transit. mrb—Magazine of Wall Street, using Federal Reserve oard data. np—Without compensation for population growth. pc—Per capita basis. rb—Federal Reserve Board. rb2—Federal Reserve Board, Instalment and Charge accounts. st—Short tons. t—Thousands. tf—Treasury and Reconstruction Finance Corp.

THE MAGAZINE OF WALL STREET COMMON STOCK INDEX

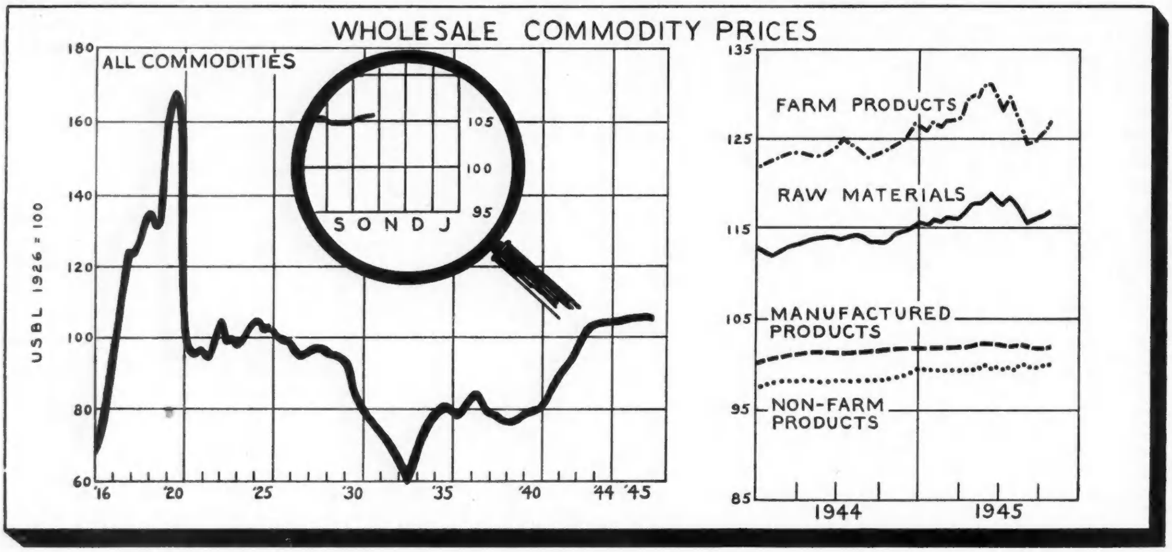
No. of Issues (1925 Close—100)	1945 Indexes High	Low	Oct. 20	Oct. 27
290 COMBINED AVERAGE	148.6	105.0	148.4	148.6R
4 Agricultural Implements	201.5	160.5	201.5H	199.0
10 Aircraft (1927 Cl.—100)	214.2	156.0	211.3	214.2E
6 Air Lines (1934 Cl.—100)	991.7	559.6	947.1	991.7Z
5 Amusement	114.0	78.9	108.7	114.0P
13 Automobile Accessories	272.7	178.2	268.9	263.7
12 Automobiles	50.3	33.8	48.3	47.7
3 Baking (1926 Cl.—100)	19.7	14.3	19.4	19.3
3 Business Machines	283.7	221.3	276.0	275.1
2 Bus Lines (1926 Cl.—100)	160.8	123.5	157.5	156.9
4 Chemicals	228.9	189.2	225.9	224.9
4 Communication	90.1	73.5	87.7	87.2
13 Construction	62.3	42.3	60.8	61.4
7 Containers	370.8	276.5	359.2	370.8Z
8 Copper and Brass	97.3	74.8	97.3E	96.2
2 Dairy Products	62.8	47.6	62.8P	62.6
5 Department Stores	67.3	39.8	66.5	66.1
5 Drugs and Toilet Articles	183.0	117.6	178.1	183.0R
2 Finance Companies	297.0	222.1	273.1	265.5
7 Food Brands	198.5	134.5	196.9	194.5
2 Food Stores	78.9	56.1	78.9P	77.6
4 Furniture	107.1	81.6	104.8	103.3
3 Gold Mining	1158.0	938.3	1155.7	1111.8

(Nov. 14, 1936, Cl.—100)	High	Low	Oct. 20	Oct. 27
100 HIGH PRICED STOCKS	95.94	73.59	95.94H	95.61
100 LOW PRICED STOCKS	178.00	112.22	177.91	178.00Y
6 Investment Trusts	62.6	44.7	62.2	62.6P
3 Liquor (1927 Cl.—100)	827.1	391.0	801.9	827.1Z
8 Machinery	188.0	137.5	187.6	185.5
2 Mail Order	137.7	96.7	133.5	137.7Q
3 Meat Packing	102.7	68.6	100.8	102.7
11 Metals, non-Ferrous	215.7	149.0	215.7H	205.0
3 Paper	31.6	18.9	27.8	31.6P
22 Petroleum	171.2	142.5	171.2R	169.6
19 Public Utilities	113.0	55.4	112.2	113.0H
5 Radio (1927 Cl.—100)	34.9	27.5	34.0	34.0
7 Railroad Equipment	92.4	68.9	92.0	90.1
21 Railroads	37.5	22.8	34.0	33.9
2 Shipbuilding	115.6	89.9	108.4	113.1
3 Soft Drinks	574.2	394.8	561.6	569.0
12 Steel and Iron	115.7	82.8	115.5	114.4
3 Sugar	68.1	55.2	66.0	67.2
2 Sulphur	238.6	173.5	227.5	238.6Q
3 Textiles	102.4	58.5	98.9	99.8
3 Tires and Rubber	44.6	33.9	44.6R	43.8
5 Tobacco	91.7	67.5	90.8	91.7H
2 Variety Stores	311.0	255.6	308.7	311.0H
21 Unclassified (1944 Cl.—100)	140.5	100.0	140.2	140.5A

New HIGH since: A—1944; E—1940; H—1937; P—1931; Q—1930; R—1929; Y—Nov. 14, 936.
Z—New all-time HIGH.

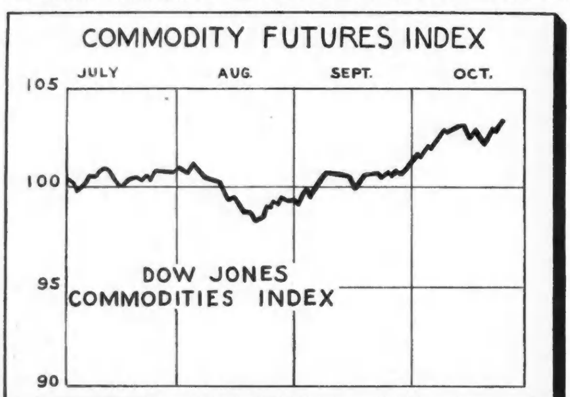
Trend of Commodities

Despite uncertainty as to the fate of the Pace bill to include farm wages in the parity formula, commodity futures index rose since our last issue to the highest level since 1919. Our own index of spot commodity prices also advanced to the best level recorded since its inception in 1932, owing mainly to a 75c a ton rise in the ceiling price of pig iron authorized by the OPA. The Pace bill is expected to pass the House; but Administration forces are expected to oppose the bill vigorously in the Senate. Cash wheat, corn and barley have been selling at their ceiling prices for several months under continued heavy export demand and a shortage of box cars. Government purchases of flour have reduced mill stocks of wheat, and millers are looking for an increase of 2 or 3 cents in the Government's subsidy, owing to continued strength in cash wheat. Cotton, the parity price of which would be lifted 7 cents a pound by enactment of the Pace bill, rose to the best levels since 1927-8 upon announcement that the Export-Import Bank had established a credit of $100 million to finance exports of 800,000 bales to eight European countries, and that similar facilities are under consideration for the Far East. Elimination of the 5 cent subsidy on butter, with a reduction in point values, has resulted in a compensating advance of 5 to 6 cents in the retail price. The Agriculture Department predicts that all red point rationing will end this year. Present belief is that the Government will set 1946 production goals for farm products at about 1945 levels, with the possible exception of soy beans and peanuts, which may be reduced. Yet a decline in farm income is anticipated.



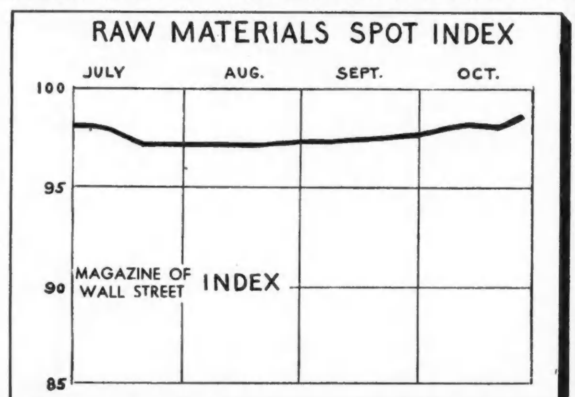
U. S. DEPARTMENT OF LABOR INDEX OF 28 BASIC COMMODITIES
Spot Market Prices — August 1939, equals 100

	Date Oct. 27	2 Wk. Ago	1 Mo. Ago	3 Mo. Ago	6 Mo. Ago	1 Yr. Ago	Dec. 6 1941
28 Basic Commodities	186.0	185.7	185.2	183.6	183.8	183.3	156.9
11 Import Commodities	168.9	168.9	168.9	168.9	169.0	168.7	157.5
17 Domestic Commodities	197.9	197.4	196.5	193.7	194.1	193.4	156.6
7 Domestic Agricultural	231.2	229.7	227.3	226.7	226.9	225.2	163.9
12 Foodstuffs	210.6	210.3	209.3	208.8	209.5	208.5	169.2
16 Raw Industrials	169.2	168.9	168.7	166.5	166.5	166.3	148.2



Average 1924-36 equals 100

	1945	1944	1943	1942	1941	1939	1938	1937
High	103.43	98.13	96.57	88.88	84.60	64.67	54.95	82.44
Low	93.90	92.44	88.45	83.61	55.45	46.59	45.03	52.03



14 Raw Materials, 1923-5 Average equals 100

Aug. 26, 1939—63.0 Dec. 6, 1941—85.0

	1945	1944	1943	1942	1941	1939	1938	1937
High	98.5	97.6	96.0	89.1	85.7	78.3	65.8	93.8
Low	96.7	94.9	89.3	86.1	74.3	61.6	57.5	64.7

Building Your Capital Through Insurance

(*Continued from page* 151)

ficient to determine its importance as a part of an ultimate program in building his or her Estate. Substantial premium payments on Government policies were paid by allotment and on discharge this method of payment ceased to function. It may be responsible for the discontinuance of so many policies for many service men apparently feel that they cannot afford to continue premium payments in civilian life. Borrowing the following story from the Managers Magazine may describe their dilemma:

There were a couple of Colored Sisters out soliciting funds for their Church. When they came to one member of the Congregation, he said: "Ah jus would love to go give sometin to the Church but when it comes pay day, Ah has to pay a little here, and a little bit there, and a little bit some place else, so when Ah gets thru Ah ain't got no money left at all to give to the Church—Ah owes so much." "But Brother," said the Solicitors, "Don't you think you owe something to the Lawd, too?" "Oh," said the Brother, "Ah spects Ah owes the Lawd more than Ah owes anybody else, but you know He ain't a pressin me!"

Well, serviceman may not owe it to the Lord but they owe it to themselves to look into this matter very carefully. The first premium due after discharge, if the premiums are payable monthly, is due one month following such discharge and to prevent any discontinuance of insurance, the premium should be sent directly to the Collections Sub-Division of the Veterans Administration, Washington 25, D. C., payable to the Treasurer of the United States, either by check or money order. In remitting, the individual should give his full name, date of discharge, Army Service Serial Number and address to which all future communications, premium notices, etc., should be addressed. Do not, however, mail cash since cash is mailed at sender's risk.

National Service Life Insurance was purposely designed to be payable to beneficiaries in the form of monthly installments so that a beneficiary who would be under Age 30 would receive in the event of the policy becoming a claim a payment at the rate of $5.51 per month for each $1,000 of insurance for a guaranteed period of 20 years or 240 monthly payments.

If the beneficiary is over 30 years of age when a settlement becomes due, the monthly installments would not be less than $3.97 for each $1,000 of insurance. However, this income is payable for an assured period of 10 years and as long as the first beneficiary lives beyond that. It therefore is a guaranteed Life Income to the first beneficiary. Similarly, if the policy became a claim when the beneficiary is age 40, the monthly installment for each $1,000 of proceeds would be $4.50. In other words, over Age 30, as the age of the beneficiary increases the monthly income is also increased.

OPTION 2

An additional Life Income Option, called Option 2, is also available and distributes the amount of the policy to the first beneficiary for life with a definite number of monthly payments assured. As an example, with the first beneficiary age 30, the monthly income for each $1,000 of insurance would be $3.78 with 265 months certain. At age 40, the monthly payment for each $1,000 of insurance would be $4.26 with 235 months certain. If the first beneficiary dies before receiving these assured payments, then the balance of payments still due will be continued to the other qualified beneficiaries.

The Government permits only certain individuals to qualify as beneficiaries: (1) Wife or Husband; (2) Children, including adopted children or step children; (3) Mother or Father, and (4) Brothers and Sisters, including those of half blood. If no beneficiaries are named, or if any die before all payments due are made, then unpaid installments are made to the classes of beneficiaries in the order above named.

Government Life Insurance in its original form, namely Term Insurance, permits conversion to Ordinary Life, 20 Payment Life or 30 Payment Life policies, WITHOUT MEDICAL EXAMINATION. These permanent rates are lower than private insurance company rates because the Government assumes all of the cost of administration.

(*Please turn to page* 169)

The Magazine of Wall Street's

COMMON STOCK INDEX

1945 Grouping of the 290 Component Issues

H — Component of the 100 HIGH PRICED STOCKS Group (Closing 1944 at above 31).
L — Component of the 100 LOW PRICED STOCKS Group (Closing 1944 at 1 to 15⅞, inclusive).

4—AGRICULTURAL IMPLEMENTS
- H—Deere
- H—Int. Harvester
- L—Minn.-Moline
- Oliver

10—AIRCRAFT
- L—Aviation Corp.
- Boeing
- Cons. Vultee
- L—Curtiss-Wright
- H—Douglas
- H—Grumman
- Lockheed
- Martin
- L—Nor. Am. Aviation
- United Aircraft

6—AIR LINES
- H—Am. Air Lines
- H—E. Air Lines
- Braniff
- H—Pan American
- Trans. & West.
- H—United Air Lines

5—AMUSEMENT
- H—Loew's
- Paramount
- L—R. K. O.
- 20th Century
- L—Warner Bros.

13—AUTOMOBILE ACCESSORIES
- H—Bendix
- H—Borg
- H—Briggs
- L—Budd Mfg.
- L—Budd Wheel
- L—Cont. Motors
- H—Elec. Auto-Lite
- L—Hayes Mfg.
- Houd. "B"
- L—Murray
- L—Stand. Stl. Springs
- Stewart Warner
- H—Timken-Det. Axl.

12—AUTOMOBILES
- H—Chrysler
- H—General
- L—Graham Paige
- L—Hudson
- L—Hupp
- H—Mack
- Nash
- L—Packard
- L—Reo
- Studebaker
- White
- Willys

3—BAKING
- L—Continental
- L—General
- Purity

3—BUSINESS MACHINES
- L—Burroughs
- H—Nat. Cash Reg.
- Rem. Rand

2—BUS LINES
- Greyhound
- L—Omnibus

4—CHEMICALS
- H—Allied
- Com. Solvents
- H—du Pont
- H—Union Carbide

4—COMMUNICATION
- L—Am. Cable & Radio
- H—Am. Tel. & Tel.
- Int. Tel. & Tel.
- West. Union "B"

13—CONSTRUCTION
- L—Am. Rad. & S. S.
- L—Bucyrus-Erie
- L—Certain-teed
- Crane
- Flintkote
- H—Johns-Manville
- H—Lone Star Cem.
- L—Nat. Gypsum
- L—Nat. Supply
- Otis Elevator
- L—Pittsburgh Screw
- H—U. S. Pipe
- L—Walworth

7—CONTAINERS
- H—Am. Can
- Container Corp.
- H—Cont. Can
- H—Crown Cork
- L—Gair
- L—Nat. Can.
- H—Owens-Ill.

8—COPPER & BRASS
- Anaconda
- L—Bridge.-Brass
- L—Cal. & Hecla
- L—Cons. Cop.
- H—Kennecott
- L—Inspiration
- L—Miami
- Phelps-Dodge

2—DAIRY PRODUCTS
- H—Borden
- Nat. Dairy

5—DEPARTMENT STORES
- Allied Stores
- Ass. Dry Goods
- Gimbel Bros.
- H—Macy
- Marshall Field

5—DRUGS & TOILET ARTICLES
- H—Colgate
- Gillette Safety Razor
- L—Sharp & Dohme
- United Drug
- L—Zonite

2—FINANCE COMPANIES
- H—Commercial Credit
- H—Com. Inv. Trust

7—FOOD BRANDS
- Best Foods
- H—Corn Products
- H—Gen. Foods
- L—Libby McNeill
- Nat. Biscuit
- Stand. Brands
- L—Stokely

2—FOOD STORES
- H—Kroger
- H—Safeway

4—FURNITURE
- Congoleum
- Servel
- H—Simmons
- L—Spiegel

3—GOLD MINING
- L—Alaska Juneau
- Dome Mines
- H—Homestake

6—INVESTMENT TRUSTS
- L—Adams Express
- L—Am. Internat.
- Atlas Corp.
- H—Lehman
- L—Transamerica
- L—Tri-Cont.

3—LIQUOR
- H—Distil. Seagrams
- H—Nat. Distillers
- H—Schenley

8—MACHINERY
- H—Allis-Chalmers
- Am. Mach. & Fndry.
- H—Caterpillar
- Foster Wheeler
- H—General Electric
- H—Timken R. B.
- H—Westinghouse Mfg.
- H—Worthington Pump

2—MAIL ORDER
- H—Montgomery Ward
- H—Sears, Roebuck

3—MEAT PACKING
- L—Armour
- H—Swift & Co.
- L—Wilson

11—METALS. NON-FERROUS
- H—Am. Smelting
- L—Am. Zinc
- L—Callahan Zinc
- H—Cerro de Pasco
- Int. Nickel
- Nat. Lead
- L—Pacific Tin
- L—Park Utah
- Patino Mines
- H—St. Jo. Lead
- Vanadium

3—PAPER
- Crown Zellerbach
- Int. Paper
- L—Union Bag

22—PETROLEUM
- Atlantic Ref.
- Barber Asphalt
- Barnsdall
- H—Cont. Oil
- L—Houston Oil
- Mid-Continent
- Ohio
- H—Phillips
- Pure Oil
- L—Richfield
- Shell Union
- L—Sinclair
- L—Socony
- H—S. O., Calif.
- H—S. O., Ind.
- H—S. O., N. J.
- L—Sunray
- H—Texas Co.
- L—Texas Gulf Prod.
- Texas & Pac. C. & O.
- Tide Water Ass.
- Union Oil

19—PUBLIC UTILITIES
- L—Am. & For. Pr.
- L—Am. Pr. & Lt.
- L—Am. Water Works
- L—Columbia Gas
- Commonwealth & So.
- Commonwealth Edison
- Cons. Edison
- Detroit Edison
- L—Elec. Pr. & Lt.
- Engineers Pub. Serv.
- L—Gen. Gas & El. "A"
- L—Int. Hyd. El. "A"
- L—Nat. Pr. & Lt.
- No. American
- H—Pac. Gas
- Pub. Serv., N. J.
- So. Calif. Ed.
- L—Stone & Webster
- L—United Gas Imp.

5—RADIO
- L—Farnsworth
- H—Philco
- L—Radio Corp.
- L—Sparks-Withington
- H—Zenith

7—RAILROAD EQUIPMENT
- H—Am. Car. & Fndry.
- Am. Locomotive
- Am. Stl. Fndrys
- Baldwin
- Pressed Steel Car
- H—Pullman
- Westinghouse A. B.

21—RAILROADS
- H—Atchison
- H—Atlantic Coast
- L—B. & O.
- L—Canadian Pac.
- H—C. & O.
- Chic. & N. W.
- H—D. & H.
- L—D., L. & W.
- L—Erie
- H—Gt. Nor., Pfd.
- L—Gulf Mobile
- L—Kans. City So.
- Ill. Cent.
- L—Lehigh Valley
- L—M. K. T.
- N. Y. Central
- Nor. Pac.
- H—Pennsylvania
- H—So. Pac.
- H—So. Ry.
- H—U. P.

2—SHIPBUILDING
- L—Elec. Boat
- N. Y. Shipbldg.

3—SOFT DRINKS
- H—Canada Dry
- H—Coca-Cola
- Pepsi-Cola

12—STEEL & IRON
- Alleg.-Ludlum
- L—Am. Roll. Mill
- H—Beth. Steel
- L—Blaw-Knox
- H—Crucible
- L—Gt. Nor. Ore
- L—Interlake Iron
- Jones & Laugh.
- H—Nat. Steel
- Republic Steel
- H—U. S. Steel
- H—Youngstown S. & T.

3—SUGAR
- Am. Crystal
- Cuban-American
- West Indies

2—SULPHUR
- H—Freeport
- H—Texas Gulf

3—TEXTILES
- H—Am. Viscose
- L—Am. Woolen
- H—Celanese

3—TIRES & RUBBERS
- H—Goodrich
- H—Goodyear
- H—U. S. Rubber

5—TOBACCO
- H—Am. Tobacco "B"
- H—Liggett & Myers "B"
- Lorillard
- H—Reynolds "B"
- L—Webster Tobacco Co.

2—VARIETY STORES
- Kresge (S. S.)
- H—Woolworth

21—UNCLASSIFIED
- H—Allied Mills
- L—Am. Type Founders
- H—Cont. Insurance
- L—Curtis Publishing
- L—Garwood
- L—Gen. Realty
- Glidden
- L—Lehigh C. & N.
- H—Libbey-Owens
- L—Marine Midland
- L—Martin-Parry
- Newport Industries
- H—Procter & Gamble
- L—Savage Arms
- L—Shattuck (F. G.)
- L—So. Am. G. & P.
- Sperry
- L—Tex. & Pac. Lnd. TR.
- H—United Fruit
- L—U. S. Lines
- L—U. S. Realty

2—REALTY
(Included in "Unclassified" but also computed as a separate, though unpublished, group index.)
- Gen. Realty
- U. S. Realty

6—UTILITY OPERATING COS.
(Included in "Public Utility" group as published; but also computed since 1943 as a separate, though unpublished, group index.)
- Commonwealth Ed.
- Cons. Ed.
- Detroit Ed.
- Pacific Gas
- Public Service, N. J.
- So. Calif. Edison

13—UTILITY HOLDING COS.
(Included in "Public Utility" group as published; but also computed since 1943 as a separate though unpublished, group index.)
- Am. & For. Pr.
- Am. Pr. & Lt.
- Am. Water Works
- Columbia Gas
- Commonwealth & So.
- Elec. Pr. & Lt.
- Engineers Public. Serv.
- Gen. Gas & Elec., "A"
- Int. Hyd., "A"
- Nat. Pr. & Lt.
- North American
- Stone & Webster
- United Gas Imp.

15—N. Y. BANK STOCKS
(Unpublished, and not included among the 290 stocks which compose the M.W.S. COMMON STOCK INDEX.)
- Bank of Manhattan
- Bankers' Trust
- Central Hanover
- Chase
- Chemical
- City
- Commercial
- Corn Exchange
- Fifth
- First
- Guarantee
- Irving
- Manufacturers'
- New York
- Public

Keeping Abreast of Industrial and Company News

Appearing before the Federal Communications Committee in Washington recently, Paul W. Kesten, executive vice-president Columbia Broadcasting System, stated: "Television pictures on the highest frequencies are no longer a theory, but a fact...." The pictures were broadcast as part of Columbia's experimental program between the company's office and the Chrysler building tower in New York. Mr. Kesten added, "I saw these new pictures in magnificent color, in a laboratory over a closed circuit."

Production on new electrical appliances is lagging because of manpower shortages and difficulty in obtaining materials. Expressing the consensus of leading manufacturers, B. C. Neece, vice-president Landers, Frary & Clark, said: "Production of washing machines and vacuum cleaners, for instance, is way behind schedule because of the difficulty we're having getting motors, brushes, and wringers. In addition it is almost impossible to get enameling steel for ranges and water heaters. As a result, only a very limited quantity of our products will be in retail stores by the end of the year."

The Civil Production Administration will take up where the WPB left off and will be under the direction of John Small. Mr. Small keynoted his regime; "If industry is spoon-fed by the Government, it cannot be free. We can get an awful lot done cooperating with industry." It will be the function of CPA to smooth industry's transition from war to peace and to spread scarce raw materials thinly and evenly, and where they will do the most good in the civilian economy.

International Harvester's post-war line of farm machinery will include a new tractor, the Club Tractor, weighing about a thousand pounds and designed for the two million farmers with forty acres, or less. The company's president Fowler McCormick is hopeful that this new tractor can be offered complete with implements "for no more than the cost of a good team of horses." This would be less than $1,000.

The new automobiles are making their appearance, but the industry is in a dilemma over their prices. OPA has not taken kindly to requests for higher prices and workers are asking increased wages. With dealers stocked, the hand of John R. Davis, sales manager of Ford was forced, and he announced that Ford would sell its cars at 1942 prices, but would expect buyers to pay any increase later which OPA allows. This policy may set a pattern for the entire automobile industry.

William P. Kirk, vice-president of Pratt & Whitney, advocates the offering of a special discount to manufacturers who scrap old machine tools, as a means of speeding up the sale of Government-owned surplus tools. He points out that there are more than 600,000 machine tools in the country more than 15 years old. The system of priorities provided by the Surplus Act, he said "...is an intolerable nuisance ,that results in delay and confusion...we consider priorities to be unnecessary."

During the next two or three years, FM set production may add a new $600,000,000 market to the radio receiving set business, it was predicted by Frank Mansfield, director of sales research for Sylvania Electric Products. "This means that 10,700,000 FM sets can be sold out of a total market for 17,400,000 sets," he stated. His predictions were based on a special survey just completed by the company to determine the immediate outlook for FM receivers.

Offer of Chesapeake & Ohio Rwy., for exchange of stock with stockholders of Nickel Plate and Wheeling & Lake Erie has been withdrawn because of the determination of a formidable group of Nickel Plate preferred holders to oppose the plan. C. & O., in turn, declined to improve the original offer, the Board stating that they believed the offer to have been both fair and generous.

Unfilled orders on the books of New York Air Brake amount to about $7.5 million, of which over 7 million are for regular products of the company. Progress is being made in development of a new brake for trucks.

Pennsylvania Dixie Cement has announced a plan of recapitalization to be voted on Dec. 3. Four shares of new $7 par common stock would be exchanged for each share of present preferred and one share of new common, and warrants to purchase two additional shares would be received for each 10 shares of the present common stock. Warrants would give holders privilege to purchase common stock at $20 a share between June 1, 1946 and May 31, 1949.

It has been repeatedly rumored that tire rationing will end Jan. 1, next, but the average motorist will have trouble finding any right away. Rationing Boards had issued certificates for 780,000 more tires than were available at the end of September.

OPA is expected to grant an increase of $5 a ton in the price of newsprint which would bring the price up to $66 a ton and compare with $50 a ton before the war. Price rise may have the effect of forestalling further diversion of domestic paper making facilities to more profitable lines. Domestic newsprint capacity has dropped about 750,000 tons over the past ten years.

Present plans of American Brake Shoe call for the expenditure of $10 million on new plants and the expansion of existing ones. Company has $3 million in unamortized emergency facilities which will be adjusted in the current report.

Reduction in air mail rates from 60 cents a ton-mile to 45 cents had been anticipated by leading operators for some months, and is in line with the trend toward lower air rates for all types of traffic. Companies affected are United Air Lines, TWA, Eastern Air Lines and American Airlines.

Modification of reorganization plan of Missouri Pacific is possible. The road is estimated to have a huge cash balance of approximately $180 million, which should permit complete liquidation of loans in near future.

Decision as to the ultimate disposition of Pullman's sleeping car business probably lies between the offer made by the group of 22 railroads and the Young-Otis group in Cleveland. Other offers have been received but the consensus is that they are not in the running.

Reports by the Department of Commerce that supplies of plastics are ample, have been vigorously denied by interests close to the plastics industry. Of a dozen groups of plastic materials, only two are in sufficient supply at this time, according to W. S. Landes of the Plastics Materials Manufacturers Association. Shortages are expected to continue for some time and a number of major producers are planning expansion of plant facilities.

Stockholders of Northwest Airlines will be asked, at the annual meeting scheduled for Nov. 26, to authorize the increase in capitalization from 600,000 shares to one million shares. The company has on order a fleet of new Douglas DC-4's, deliveries of which will start in January, and new financing may be foreshadowed.

As part of the post-war program of Frank G. Shattuck, the company plans to open a number of roadside restaurants under the well known name of Schrafft's, in addition to new units planned for city location. This marks the first time the company has operated this type of restaurant. Before gasoline and tire rationing, the well located roadside restaurant did a flourishing business.

It may not be long before fresh fruits and vegetables will be sold wrapped in cellophane. A.&P. Food Stores, in conjunction with Ohio University have been conducting experiments in packaging and refrigeration, with a view to cutting down the waste and spoilage.

Selling Costs As a Factor In Postwar Business

(*Continued from page* 127)

tions. But the opposite is sometimes true, as in the case of matches, footwear, sewing machines, bakery products, office machines and others. Ratios of course may vary among individual companies though they all share the characteristics of their field.

In the postwar, distribution costs will be relatively heavier among new industries, or established companies introducing new products. Here, promotional outlays are likely to run high, and the need of establishing dealer outlets will also make for initially sizeable expenses, especially in the competitive environment to be expected in the years ahead. All this will tend to narrow profit margins and earnings unless the full cost can be passed on to the customer which may or may not be possible under existing pricing policies or competitive conditions. Real profits from new lines are contingent on volume, and volume prospects in most instances are likely to be favorable.

Promotional activities, particularly advertising, may be specially marked and probably considerably above wartime levels in such fields as distilled liquors, soaps and fats, cigarettes, cereals, drugs and medicines, electric household appliances and malt beverages. In all these, advertising outlays traditionally represent a sizeable percentage of distribution costs and are bound to increase with restoration of normal marketing conditions. The same applies to retail trade, notably department stores, where promotional activities during the war years have been curtailed because of lack of goods. The trend of other retail selling costs will depend on the degree of restoration of war-suspended free services to customers and on additions to sales personnel. In reference to the latter, wage scales are the outstanding factor. These were relatively high during the war years and sales personnel generally, being mostly inexperienced, has been far less efficient than normally. Greater efficiency, to be expected in the postwar when there is greater personnel choice, and stability of wage scales may perhaps offset any increase of selling costs arising from enlarged sales staffs. Thus there may well be no marked relative increase in selling costs other than promotional expense, especially if a large volume is maintained. The latter, of course, would at least partially offset any boost in advertising outlays.

Appended is a partial list of industries which appear best organized for effective distribution; their ratios of distribution costs to net sales in the past have been moderate and no great deviation is expected in the postwar. Additionally, volume prospects are such that any increase in distribution costs could readily be absorbed without adverse effect on profit margins. The list has been chosen from the viewpoint of overall selling costs only; other factors such as wages which are part of manufacturing rather than selling costs, have not been taken into account though they may alter the picture as regards earnings.

Naturally, with a good many imponderables as yet to be clarified, no hard and fast conclusions as to postwar distribution costs can be arrived at. Costs of every description are higher than prewar, a factor which in itself would point to higher distribution costs in the future. However, when it comes to distribution, there is—and always has been—much room for greater efficiency and therein lies the main hope of better control of selling costs, even relatively lower distribution costs when aided by expanding volume. It is in this direction in which industry will work in its effort to sell the consumer at the lowest possible cost.

Airlines in the New Age of Transportation

(*Continued from page* 147)

To this writer, at least, the air transport industry presents a fertile field for employment of venture or speculative funds. Its pattern of leadership has become fairly well established, while among the smaller companies are a number with the vigor and enterprise which should enable them fully to hold their own. The relative standing of all companies may change with the passage of time, through mergers and competitive gains; realization of the industry's greatest promise must be reckoned, even now, in terms of years and not expected as an over-night phenomenon.

Following are some of the highlights of leading airline companies:

AMERICAN AIRLINES. Company is the leader, and accounts for nearly a quarter of the industry's total traffic volume. Holds 51.4% stock interest in American Export Airlines. The latter company was awarded one of the North Atlantic routes. Past record of earnings has been good. Cash position comfortable but expansion plans suggest the likelihood of new financing. Has an authorized issue of $20,000,000 preferred, and there are 1,290,567 shares of common outstanding. Present market value of shares of over $100 million compares with net worth of about $28 million.

EASTERN AIR LINES: Company has developed a high degree of operating efficiency and profit margins and earnings have been above average. Faces increased competition on some routes, which may be offset by possible extension of facilities to Caribbean area and South America. Company well supplied with cash but some financing next year may be necessary. Will benefit from repeal of excess profits levy. Capitalization consists solely of 598,931 shares.

NORTHWEST AIRLINES: Operates one of the four transcontinental routes and may be awarded overseas routes to the Orient. Company has been mentioned from time to time in connection with rumors of a possible merger with TWA. Traffic this year has been setting new high records. Capitalization consists of 376,380 shares of stock. Financial position is good but prospective expansion of service will limit dividends and may entail some new financing.

PAN AMERICAN AIRWAYS: Company faces increasingly keen competition in overseas operations, but extensive experience in this field should stand it in good stead. Arrangements have been made to obtain $42 million in new funds this year and company may purchase up to $140 million new equipment. Post-war prospects excellent, but financial requirements will have a restricting effect on per-share earnings.

PENNSYLVANIA - CENTRAL: Has an exceptionally high traffic density due to strategic location

of lines with respect to interchange of transcontinental passengers. Company recently sold $10 million 3½% convertible income debentures, the proceeds to be used for acquisition of new equipment. These bonds are convertible into stock at $38 a share until 1950, and at higher prices thereafter. Current revenues and traffic have registered greater gains than that of the industry as a whole. Conservative dividend policy indicated.

TRANSCONTINENTAL & WESTERN AIR: Company was awarded one of the three North Atlantic routes and will operate along the Mediterrean with two routes bordering European and African shores and converging in Egypt. From the latter point extension of service through the Middle East terminating at Bombay is planned. Domestically, the system is efficiently operated but full possibilities have not yet been realized. Post-war prospects favor more substantial earning power but heavy expenses in development of foreign operations will limit dividends and probably entail equity financing.

UNITED AIR LINES: Mail revenues have always bulked heavy but lower rates on this class of traffic should be more than offset by increased passenger revenues. Management is highly regarded for its conservative policies. Strong finances are a characteristic of United. In addition to 1,500,451 shares of common stock, there are 105,032 shares of 4½% preferred stock outstanding. Current traffic and revenues have recorded impressive gains and company's outlook is promising.

Bank Stocks Today

(*Continued from page* 133)

$1.16⅔ paid out in dividends were transferred to capital accounts. But Bankers Trust issued a $5 million stock dividend, income from which has raised the stockholders take by one-sixth. At a recent price of 52½ for the shares, the price-earnings ratio is 17.5, moderate compared with that of many industrials of far less merit, and while the yield of 3.1% is not substantial, it could easily be increased as time goes on.

With a continuous record of dividend payments for 131 years past, the National City Bank of New York is an outstanding example of stable earning power and ability to carry on successfully through wars and economic crises. This bank operates 65 branches in New York City and others in a number of foreign countries. With deposits of $4.2 billion and capital funds of $237 million, it ranks second in size in the metropolis. Progressive improvement in earnings led to a raise in the dividend rate from $1 per share to $1.40 last year, and as net for the first nine months of the current year has amounted to $2.23 per share, it will be noted that the coverage is broad. At $49 per share, the price-earnings ratio of 12.3 is not at all excessive, although the yield of 2% is unattractive, but yield on good bank shares is traditionally less than on well rated industrial shares. The cash position of National City is unusually strong, equalling 20.7% of its total resources.

The largest bank in New York City is the Chase National Bank and until recently it held top rank in the country, now held by the Bank of America in San Francisco with a slight margin. Business of the Chase is widely diversified and is conducted through 30 branches in the city and many others in the principal capitals throughout the world. Postwar plans of this bank embrace expansion into the profitable fields of installment financing, and it is in a strong position to bolster earnings in financing foreign trade. An upward trend in net earnings is shown by a reported net per share of $2.90 for the first nine months of 1945 compared with $2.15 per share in the corresponding period of 1944, but profits taken on securities accounted for $1.13 per share of the increased total. Deposits exceed $4.6 billion and capital resources just top $200 million. Of earnings assets, 68.8% are invested in Government obligations of one kind or another, indicating the inherent strength of the bank's position. Chase shares at around 45 yield 3.1%, not unattractive for a quality issue like this, while the price-earnings ratio of 15.2 is quite moderate. With earnings exceeding dividends twice over, possibly more liberal future treatment of shareholders is by no means a wild conjecture.

As mention has been made of an outstanding bank in California, and it is statistically included in the appended table, comments on this interesting institution are in order. Bank of America National Trust & Savings Association is the impressive title of this giant in the banking field. State laws in California permit widespread establishment of branches, and this institution operates 491; in fact it would be hard to name a substantial community within the State which this bank does not serve. Within the last few weeks, deposits reached a peak of $4.75 billion and total resources crossed the $5 billion mark, enabling the bank to establish top size in the United States. Wartime increase in deposits has been enormous, exceeding 180%. In June of this current year, Bank of America distributed to shareholders 2 extra shares for each 3 shares held, a windfall which proved profitable, for the price of the shares has trended strongly upward ever since. Earnings of the bank have been most encouraging, amounting to $4.02 per share in 1944 against dividend distributions of only $1.44 on a basis of the enlarged capitalization. At a price of 44, the price-earnings ratio of 10.9 is more than average conservative, providing leeway for possible further appreciation.

While figures in the table have been based on full year results in 1944, net earnings of the leading New York banks at least, during the first nine months of 1945, show an average increase of about 10% compared with the relative period in 1944, and if this gain can be held, shareholders can view the future with expectations of improved dividends from this source. And as the banks emerge into the postwar era to operate under more normal conditions, they may consider it desirable to expand capital funds by offerings of new stock at attractive prices. The unprecedented strength of the large institutions and their major reliance upon Government securities for income, enhances their investment attraction, and while the shares are not listed they are easily available in the "over the counter" market.

Building Your Capital Through Insurance

(*Continued from page 163*)

The ideal program of an individual insofar as his life insurance is concerned, should be to provide a given beneficiary with a specific monthly income. Irrespective of what policy eventually is adopted, it can be made a part of an over-all plan, using previous existing insurance and any other future life insurance which may be later purchased. Unlike private insurance, National Service policies have no restrictions as to travel, residence, occupation or military service. They do, however, provide one restriction in that they cannot be assigned for loans or any other purpose. They have the usual premium grace period, waiver of premium benefit before age 60, cash and loan values similar to those contained in policies issued by private life insurance companies.

Conversion to any of the three heretofore mentioned plans mav be made in one of two ways. (1) the conversion can be made by dating the policy back to the time the Term policy was first made effective, or (2) conversion can be made as of the date of conversion provided, however, that the period for conversion has not expired. Veterans Administration Insurance Conversion Form 358 may be secured from the Veterans Administration in Washington or any of its Regional Offices. Necessarily, any part of the Term policy, but not less than $1,000 may be converted. The Administration has advised that permanent forms of policies are not as yet being issued but that a proper certificate will be issued and later exchanged when definitive policies have been printed and made available.

For any individuals desiring conversion back to the original date of issue, the Veterans Administration should be addressed and they will advise the requirements and cost. Many members of the Armed Services will no doubt be perplexed as to which form of permanent insurance they should convert. Let us take the case of an individual age 35. If he wishes to convert to Ordinary Life, his annual premium outlay, per year per $1,000, will be $21.31. On 20 Payment Life, it will be $29.95. Similarly, on 30 Payment Life it will be $24.03.

The matter resolves simply into one of evaluating the different benefits in terms of the premium cost.

Of course, the Ordinary Life Plan, sometimes known as Straight Life, provides the largest amount of permanent protection for the premium required, whereas the 20 Payment Life Plan requires a little over $8.00 more a year for the same protection. However, this excess cost gives a definite termination of premium payments so that at age 55 the policy becomes paid-up for its face amount of $1,000. Likewise, the cash and loan values are also higher than under the Ordinary Life plan. Similarly, the 30 Payment Life policy would require a slightly larger premium than the Ordinary Life, but less than the 20 Payment Life for it to become paid-up at age 65, assuming the insured were age 35 when this contract was effected. It may be generally stated that

at the younger ages, the 20 Pay and 30 Pay Life contracts would be more suitable, whereas at the older ages the Ordinary Life policy would be preferable since it would provide the larger proportion of protection for a given premium than either the 30 Pay or 20 Pay Life contract. In my experience, I have found some individuals who are considering discontinuance of their Government policies for good reasons, but I wish to emphasize that before actually discontinuing such contracts, the individual make certain that he can qualify and obtain Life Insurance in private companies.

Of course, there may be many specific individual problems entering the question of insurance which a serviceman may have to decide. Space limitations forbid their discussion here but I shall be glad to answer personal inquiries addressed to this publication. Such answers either will be published in the Magazine, if concerned with average problems; on more involved problems, I shall endeavor to advise by individual letter.

Your Home as an Investment

(*Continued from page* 152)

living in? Will the neighborhood in which your home is located be satisfactory as a dwelling area by the time your property is free and clear?

3. Are you sure your income will continue at its present level (or go upward) during the years in which you are still paying for your house?

4. Is the interest on your mortgage fair or exorbitant? (In the period from 1935 to 1940, the average interest rate on one-family dwellings was 5½% throughout the U. S.) You can shop around for mortgage-loans.

5. Do you have a sound knowledge of the costs of furnishing a home? (Refrigeration? Furnishings? Decoration?) Can you afford them?

6. Will the house be large enough twenty years from now? Is the lot large enough to permit additions to the building, if they become necessary? Is the house, itself, adaptable to these additions? Can you (or will you be able to) afford alterations? Will the property satisfy you in the light of technical improvements which will develop during the period in which you pay for your property?

7. And lots more.

Your guides for home purchase should be precisely the same as you would use for a business deal. You must determine if, in your particular case, housing is a sound investment. You should know how the property you plan to purchase stands on the tax-assessment books. (How does the City, Town or Village evaluate your property? Is it high or low?) A wise practice for the home-buyer (and one which is seldom followed by home-purchasers) is to call in a qualified appraiser to report on the property before making the down payment.

There are other considerations when you take on this home-owning proposition: Should you build? Or buy?

Building is more expensive. You cannot do the job as inexpensively as can a builder who is engaged in production of a number of properties simultaneously. On the other hand, buying generally means succeeding to a property with a shorter life-expectancy (in terms of obsolescence, depreciation, etc.) or purchase of a tailor-made building which may not meet with the glowing standards of your "dream-home." Assure yourself (through an appraiser) that your property will serve as a sound basis (some years from now) for additional loans to modernize. Make sure the structure, itself, will stand up to these changes.

Lenders, it should be noted, are somewhat more cautious on modernization loans than on mortgages for purchase. An appraiser is in a better position to determine these things than you are. His fees are, and by right ought to be, considered as a part of your cash-outlay for purchase.

Purchase of an existing property also calls for the services of the appraiser. There are definite advantages. In general a second-owner home is likely to have been built to the specifications of a higher-income-level family than that of the purchaser. Most such buildings are well and solidly constructed, present a good appearance, will stand up longer. The income-level step-down for the house is a housing step-up for you. But maintenance and repair costs in an older home run higher than in a new one. Weigh the two factors, see what you get.

The decision must of necessity be your own.

One word of advice: Some people—the majority, in fact, in this country — cannot by sound economic standards afford to own their homes. When they are talked into such a step, the damage is not alone to the individual, but to the entire neighborhood. Foreclosures are not merely bad for the foreclosee but for the forecloser, and all who seek mortgage loans. Lenders do not want properties (they want their money back with the legitimate interest). When they get properties (and not interest), then succeeding borrowers will find their interest rates higher.

Do yourself and everybody else a favor. Examine your financial position before buying.

Particular weight should be given to these questions in the case of the veteran. Most have been solidly sold on the idea that home-owning is (for them) nothing more than a matter of applying to the Veterans' Administration for the loan-guarantees promised under the G.I. Bill of Rights.

Unfortunately, these loan-guarantees are limited; the government's guarantee is not an outright gift. The amount of the guarantee and the equal amount which the Vet must put up from his own funds are, by present price standards, not sufficient for Grade-A housing (nor Grade-B, for that matter) in most urban communities. The veteran should carefully assure his future before dashing around to examine all houses with a "For Sale" sign. His financial position on the home-buying count is exactly the same as that of anyone else. The Government only guarantees half his loan; it does not lend.

One other thing: The miracle home is just around the corner. So say the ads, the magazines and the tea-leaf readers. There are all sorts of electrical, mechanical and other gadgets to simplify—or complicate—every aspect of residential living which are, or shortly will be, on the market.

Remember: Many of these are experimental models (they will be cheaper later); some are (considering costs) impractical. They will not be in every home next year. Most people cannot afford them.

Inquiries and requests for advice in matters of home building and real estate investment will be gladly answered if addressed to the Magazine. If of general interest, answers will appear in this column.

The Fascinating Story of Corning Glass

(*Continued from page* 142)

the litigation fails entirely.

Sales and earnings of Corning have been exceptionally satisfactory; for a period of 65 years the company has stayed in the black in every year and during this long time has never failed to pay a dividend. Even in 1932, when sales had dropped from a previous peak of $15 million to $7 million, net earnings amounted to $880,000. By 1939 volume rose to $20 million, more than doubling to $43 million in 1942 and soaring to $52.3 million in 1944. Rising costs and heavy taxes progressively pared operating margins in the last three years, the percentage falling from 21.8% in 1942 to 15.7% in 1944. Percentages of net profits to sales likewise show a marked decline since 1939, falling steadily from 13.1% in that year to a level of 3.8% in 1944. Net earnings per share, however, have been fairly well sustained, averaging close to $1 per share, and shrinking to 77 cents per share last year. Had it not been for EPT and re-negotiation payments in 1944, net per share would have been close to $1.45, a point of more than passing interest in view of the probable early elimination of this tax. In any event, the conservative dividends of 50 cents per share paid for the last three years were earned by a comfortable margin.

While the 1944 balance sheet discloses a working capital of $8.1 million, and a current ratio of 1.8 in comparing net current assets with current liabilities, refinancing in the spring of 1945 resulted in radical changes in the figures cited. 50,000 shares of 3½% preferred were sold to the public to retire 30,000 shares of 6% preferred and to provide additional capital. Thus working capital was enhanced by some $1.7 million. On January 1, 1946, moreover, cash will be boosted by an additional $1.1 million of post-war refunds from the Government. Cash position of Corning has always been well maintained and, along with Government securities held, came not far from equalling current liabilities on December 31, 1944.

In April of the current year Corning stockholders voted for a 4 to 1 split of the common, thereby raising the number of shares outstanding to 2,604,708 and of these, 412,340 shares were sold to underwriters by individual holders of the issue, the balance being retained by the Houghton family interests and others identified with the company. In the course of this article, figures applicable to the common stock have been adjusted to reflect the new capitalization and further statistics are shown in the accompanying table.

Public offering of the new shares was made less than six months ago, at a price of $25 per share and after listing on the New York Stock Exchange the price advanced by degrees to a rather spectacular peak of 38½, at which point the yield was less than 1.4%. Subsequent market reactions have sliced a few points from the high but with slight effect upon the yield, and as previously stated, the price-earnings ratio is about 45 to 1. Several factors may account for the demonstration of strength in price, one quite rationally based on the strongly marked growth potentials for Corning, not only for its own broadly diversified products but more especially for those of its three offspring concerns which have hardly begun to exhibit their profit potentials. The glamorous nature of the business, also, combined with the company's sound remarkable record, imparts both speculative appeal and a measure of confidence in its future operations.

It must be realized, furthermore, that considering the long established reputation of Corning, the relatively small number of shares released to investors was disproportionate to the number of well informed would-be buyers anxious to add this newcomer to their portfolios. From this angle, the stock has doubtless assumed somewhat the status of a "collector's item," with some disregard for premiums paid. Beyond any question the current price of Corning shares has outdistanced near-term potentials but for anyone to claim that it has too generously discounted longer term prospects is another matter. Chances that the yield may improve as time passes are quite likely and ultimately further price appreciation may express itself, although considerable patience may be needed. In any event, the stock is amply fortified with sound fundamentals.

Dynamic Profit Potentials in Stock Warrants

(*Continued from page* 149)

a recapitalization and only awaiting ratification by the stockholders. Under this program, warrants would be issued to holders of the present class A and class B stock to provide them with an option to purchase ½ share of new common within a time limit of 10 years, but non-exercisable during the first year. During the first four years the purchase price of the common would be $12.50 a share, and for the last five years $15. While earnings of this important baking concern have been unimpressive for many years past and no dividends have ever been paid on the common, results have shown some improvement during the last three years and a more conservative capital structure will emerge from the recapitalization. In consequence, the common has shown relative strength at around 10½ and reflecting this, the warrants are quoted at close to 4, a rather optimistic figure in view of the company's prewar record.

Tri-Continental

Most spectacular percentage increase in warrant prices has been recorded by those of Tri-Continental Corporation since 1942. This concern is a diversified management investment company of the closed end type, although under its charter it may engage in various underwritings. The number of warrants outstanding on December 31, 1944 was 1,008,642, each entitling the owner to purchase 1.22 share of common at $18.46 and with no date set for expiration of the privilege. At the low price in 1942, you could have bought the warrants at 1/32, about the price of a three cent stamp, but currently the price is about 2⅞. Figured in points, the gain carries little weight, but in terms of percentage it amount to fully 9,100%. The stock itself sold at a low of ¾ in 1942, since climbing to recently around 8⅜, a gain of over 1,000% and highly interesting, but nothing like that recorded for the warrants.

It is hardly necessary to discuss other warrants listed on the table for they all follow somewhat of a similar pattern, the main difference being only in degree of appreciation and volatility. Terms of the warrants of course differ broadly and require close inspection before embarking upon any speculative program in them, and thorough appraisal of the potentials for the industries and concerns involved is a basic essential. Lastly, it should always be remembered that warrant prices travel on a very slippery two-way street.

Opportunities in Financially Strong Companies

(*Continued from page* 136)

tion is characteristic of National Lead. At the end of last June, cash assets were in excess of $32 million; total current liabilities were $23.6 million; and net current assets were over $45 million. Earnings for all of 1945 may fall somewhat short of the $1.79 figure for last year, owing to the inclusion of non-recurring income in 1944 earnings equal to about 72 cents per share of common stock. It is probable, however, that dividends this year will match the $1 paid in 1944. Company has no funded debt, but ahead of the 3,090,664 shares of common are 243,676 shares of class A 7% preferred and 103,277 shares of class B 6% preferred, $100 par. Common shares have long been held in high investment regard, and while the present price to earnings ratio, at 31, is high it is not out of line with other issues of similar calibre and future potentials.

So You Want to Go Into Your Own Business?

(*Continued from page* 153)

the disappointed veterans there are many who have been saved from their own folly. In time they may come to realize it.

As a first step toward the ownership of his business, and before borrowing or trying to borrow any money, the veteran would do well to give some thought to the possible opportunities for new businesses. According to figures prepared by the Bureau of Foreign and Domestic Commerce, a shrinkage of 507,100 occurred in the total number of active business concerns in the United States between Dec. 31, 1941 and Dec. 31, 1943. Of these commercial casualties, 88 per cent were so-called small businesses engaged in retailing, contracting and services.

These figures tell their own story of what happened to small business under the impact of war. But they are by no means conclusive. Nothing but statistical hocus-pocus would warrant the assumption that because a half million businesses ceased to operate during the war, that there are a half million opportunities to replace them now. Surprisingly enough the evidence indicates more small shops, stores and service enterprises were abandoned during the war when owners were attracted elsewhere by high wages, than were forced to suspend by owners' military service, or shortages of supplies and merchandise. The latter difficulties, although very real, were largely met through ingenuity and resourcefulness.

Doubtless there is room for many new owners to replace the former ones, and an energetic young veteran might succeed handsomely in a spot where his predecessor did not find enough inducement to stay on. By the same token, there are scores of good reasons of why the previous owner may have given up, which might be unearthed with a little investigation. Unless these reasons were personal and temporary, and the new operator is pretty horoughly convinced that they will not apply in his case, he is burdening himself needlessly, right at the start of his business career. A changing neighborhood or new competition, for example, might prove to be a handicap impossible to overcome. The bank would probably know about these things, and would be glad to advise the prospective businessman. even if he were not in the market for a loan. Quiet investigation among the other storekeepers and businessmen in the neighborhood coupled with personal observations should prove a worthwhile expenditure of time and effort.

Far more important, however, than the opportunity itself are certain personal qualifications which are a virtual "must" if the small business is to be developed successfully. Nor does the possession of adequate capital alone make success a certainty.

To the casual observer the management and operation of one of the many gasoline service stations which dot the highways may appear to be a simple and leisurely way of making a living. Actually, it is anything but that. Just ask the owner of one of

these stations the next time you drive in. He'll tell you about the hard work and long hours, the competition and the slack seasons. And there will probably be a lot of important things he won't tell you about, for he may not be fully aware of them himself. They are the intangible qualities which he possesses and which weigh so heavily in the measure of success or failure.

High on the list of these qualities is the merchant instinct. The merchant instinct is the character of the merchant himself, his initiative, his personality, his experience, his resourcefulness and stamina. This is a highly competitive world and nowhere will there be found more intensive business rivalry than exists between retail merchants. Are you prepared to buck established and experienced competition? Do you feel that you have new ideas which you can apply to your own

business and which will give you enough "edge" to hold your own? Have you planned how you are going to attract customers away from your rivals? If you are well known in your community, do not make the mistake of depending on your friends to patronize you. They will be around to wish you luck and give you some "token" business, but they won't be back very often unless you can offer them price, quality and service on a par, or better, than they can get from their regular dealer. You will have the true merchant instinct, and your business will prosper, if you make your customers like to do business with you.

Look around your own community at the successful merchants. You will find that most of them are friendly without being forward, or antagonistically aggressive. They take a sincere interest in serving their customers, however small their order. They make every effort to please and satisfy you. Moreover, these qualities are as likely to be possessed by the manager of a large chain as they are by the proprietor of a one-man business. That is what you will be up against and you had better be prepared to match it.

All of which adds up to the conclusion that the success of your business will largely be determined by your mental equipment and attitude. This does not necessarily mean you should have a university or college background. Even more valuable in equipping you to manage your own business are native instinct and shrewdness coupled with a knowledge of the particular business you want to engage in.

If you are not certain you have these qualities, there are ways in which you can find out. One way is to take a course of on-the-job training. Many corporations have instituted training programs for prospective businessmen and many others will doubtless be encouraged to follow suit. Typical of this type of training is the plan offered to veterans by the B-G chain of restaurants. The course consumes 26 weeks and is open to any veteran planning to open his own restaurant. During the course, the trainees are moved through every department of the business and do the actual work of that department, for which they are paid the same wage as other employees in the department. Upon completion of the course, the trainee has a good working knowledge of the restaurant business and not only has he acquired six months of practical experience but he has learned enough upon which to base a sound decision as to whether or not he will proceed with his plans.

If you are not pretty sure of your own qualifications, you are well advised to make sure of them by finding out or acquiring special training before you take a lease and hang out your sign. Remember you are going to be a successful businessman, not a casualty.

Editor's Note: The subject of owning your own business is a comprehensive one and cannot be covered fully in a single article. It will be discussed further in future articles appearing in this department of the Magazine.

Corporate Earnings Trends in Transitions

(*Continued from page* 139)

1944. This concern anticipates an enormous demand for its products when the building boom gets under way and plans a large expansion in facilities to meet it. Chances are strong, therefore, that the indicated dip in earnings will be of short duration.

Where Do We Stand Now?

(*Continued from page* 124)

slow, a gradual progress, and it will be a long time, even should building pick up unexpectedly fast, until a worthwhile dent is made in the housing shortage. It may take five years.

The supply of clothes, in the quantity, style and quality wanted, may be six months away. Tires should be plentiful in 1946. Food is easing all around, gradually but consistently. Travel conditions should be back to near-normal by next summer. Furniture will become more plentiful as 1946 wears on but the industry's revival depends on a marked easing of the lumber situation, not yet in sight.

The foregoing sketches the overall outlook in representative consumer goods industries. Still, problems among individual companies vary greatly, as does their exact reconversion status. The accompanying tabulation contains some highlights in this respect.

As I See It!

(*Continued from page* 119)

single major issue in Eastern Europe. Realists view with alarm Russia's delay in sending a representative to the Far Eastern Advisory Commission in Washington. If the breach widens on the Far Eastern front, it is bound to have serious repercussions in China where a ticklish situation has already developed. All around, relations with Russia have become tense and we might well ask whither they are drifting.

There is ample evidence that on Europe's populations, the contrast between Russian action and behavior and that of the western allies has not been lost. Whereas the Russians have virtually no constructive action to their credit, the western allies have never ceased in their attempts to bring order out of chaos, to ameliorate the lot of the wartorn countries, to prevent major disaster to spring from the war's heritage of social, political and economic upheaval. This policy has born fruit. Where as a few months ago, the universal prediction was a continent-wide sharp swing towards Communism, the latter today stands increasingly discredited. The tide of popular sentiment is running against it; Communism is on the defensive.

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